Annual Financial Report 2019

Fluxys Belgium

shaping together a bright energy future

We are committed to continue building a greener energy future for the generations to come. People, industry and societies all need energy to thrive and progress. Fluxys Belgium accommodates this need: we put energy in motion through our infrastructure. We move natural gas while paving the way to transport in our infrastructure hydrogen, biomethane or any other carbon-neutral energy carrier of the future.

Key figures and highlights

2019 Fluxys Belgium

€1.30
Gross dividend per share
(2018: €1.26)
— p 119

€3.09 bn
Regulated asset base
(2018: €3.14 bn)

€91.3 m
Investments in infrastructure
(2018: €78.1 m)
— p 90

+ 2.3%
Transmission:
greenhouse gas emissions
per quantity of gas transported
(compared to 2018)
— p 67

0
Unplanned interruptions
of transmission capacity
— p 76

+ 1.6%
LNG terminalling:
greenhouse gas emissions
per quantity of LNG regasified
(compared to 2018)
— p 68

161
Women

736
Men

Activity levels at the Zeebrugge LNG terminal hit a new peak

A total of 130 vessels docked at the terminal in 2019, shattering the previous record of 82 in 2009. Small-scale LNG also made substantial headway, with almost 1,200 more LNG trailers being loaded. → page 64

LNG activity secured on a long-term basis

A new contract for the unloading of LNG carriers with Qatar Terminal Limited, running until 2044, provides long-term security for activity at the Zeebrugge LNG terminal. Furthermore, following the commissioning of the fifth storage tank, the long-term (20-year) transshipment contract with Yamal Trade came into force in late 2019. → page 86

Practical steps to press ahead with the energy transition: fully targeting green gas

Fluxys Belgium is working hard to press ahead with the energy transition towards a carbon-neutral economy. Gas infrastructure and innovative gas technologies are instrumental in making green gas available as an additional carbon-neutral energy source to homes and businesses. → page 60

Halving our own greenhouse gas emissions by 2025: roll-out of our action plan

Fluxys Belgium is rolling out a range of programmes to further reduce methane emissions from the operation of its infrastructure. In addition to its ongoing initiatives to cut CO_2 emissions, in 2019 the company switched to buying biomethane to heat its head office and its buildings in Anderlecht. → page 65

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The chapters marked with an asterisk are part of the annual report as referred to in Articles 96 and 119 of the Companies Code.

Message from the Chairmen

Fluxys Belgium has made 2019 a successful year. Both operationally and commercially, the company performed well and specifically in the case our LNG terminalling activity there were some landmark moments in terms of securing the long-term future of the facilities. At the same time, the company worked hard to press ahead with the energy transition towards a carbon-neutral economy.

The success Fluxys Belgium enjoyed in 2019 was down to the employees of the company. Therefore we would like to sincerely thank them for their commitment, professionalism, creativity and flexibility, which is absolutely instrumental to the company's momentum.

At the time of writing, this is once again on full display with the spread of the coronavirus. As we all navigate this difficult crisis period, supplying energy to hospitals, public services, homes and a wide range of industries is more important than ever. We feel real pride in the fact that the men and women at Fluxys Belgium are giving their best to vigorously continue, in a spirit of solidarity, delivering safely and securely the essential services of our company to society and our customers.

Stronger together: that has been amply demonstrated by the coronavirus crisis. With the shareholders, management and employees of Fluxys Belgium, we jointly stand strong and united in our efforts to meet a basic need of the public, namely to ensure a continuous, safe and reliable supply of energy. We deliver this mission to the community while being at the heart of the community, where we have various stakeholders. Our **Corporate Social Responsibility** (CSR) policy aims to live up to their expectations as much as possible.

Our border-to-border transmission **customers**, for example, prefer to buy short-term capacity, and so we see to it that our sales organisation keeps up with this. In our storage activities too, it is absolutely vital for us to be responsive. Despite a consistently difficult market situation, our sales teams managed to achieve solid results in the narrow windows of opportunity for our customers.

2019 was an especially busy year for LNG terminalling. The Zeebrugge terminal delivered a strong operational performance, handling a record number of ship movements while ensuring the completion of the fifth storage tank and associated process facilities enabling the launch of the long-term transshipment contract with Yamal Trade at the end of the year.

With the shareholders, management and employees of Fluxys Belgium, we jointly stand strong and united in our efforts to meet a basic need of the public, namely to ensure a continuous, safe and reliable supply of energy.

This past year also saw us sign a new long-term contract for the unloading of LNG carriers with Qatar Terminal Limited. The contracts with Yamal Trade and Qatar Terminal Limited ensure the **long-term viability of activities at the Zeebrugge LNG terminal** and provide a stable source of income for many years to come.

Levels of **investment** in infrastructure remained similar to 2018. Alongside work on the fifth storage tank and the associated process facilities at the LNG terminal, the bulk of Fluxys Belgium's investments were focused on the transmission network, primarily on projects to enhance supply to distribution system operators, which saw the number of natural gas connections they offer rise again by almost 60,000 in 2019. Fluxys Belgium also joined forces with distribution system operators to make the second large-scale conversion required to offset the gradual reduction in imports of low-calorific natural gas from the Netherlands.

As for the **safe operation** of our infrastructure, Fluxys Belgium continued its awareness-raising campaigns aimed at agricultural and horticultural workers. We also specifically targeted contractors and project owners known to perform poorly in terms of reporting works in advance.

As an energy company facing multiple challenges, our **employees** are our driving force. The energy sector is involved in a process of swift and radical change, and the working environment is increasingly digitalising. In this rapidly evolving situation, **agility** is key. To respond to this need, Fluxys Belgium provides a range of development and training opportunities designed to keep pace with the transformation and has taken a number of other steps to equip its employees for these new circumstances. For instance, we devote ample attention to initiatives intended to ensure that employees feel good at work, develop resilience to handle their workloads and have a pleasant, stimulating working environment.

We are offering our **shareholders** an increased gross dividend in line with previous years.

From a **broad social perspective**, 2019 was the year in which climate challenge resolutely came to the forefront of the political agenda, with the prospect of a **Green Deal** in Europe to have zero net greenhouse gas emissions by 2050. There was also a major shift in mindset regarding the way this goal is to be achieved. Securing net zero emissions will not only require large quantities of green electricity, but also substantial volumes of green gas. And carbon capture and reutilisation/storage will have a part to play too.

In recognition of this, policy visions are now moving in the direction advocated by Fluxys Belgium and other energy sector players, acknowledging **gas infrastructure's crucial role in the future energy system**. Gas infrastructure is indeed key to reducing greenhouse gas emissions and air pollution at a faster rate and on a broader basis. Gas infrastructure also has great value for the system as a whole: it supplies the energy system with the required capacity, offers a solution for the increasing demand for energy storage and averts the need for significant investment elsewhere in the energy system.

Within Fluxys Belgium and parent group Fluxys, we and a wide range of partners in Belgium are **forging ahead with building the future with green gas and carbon capture and reutilisation/storage**. Major progress was made on a variety of initiatives in 2019, and a Green Gas Platform was set up within the company, a multidisciplinary team through which we focus on shaping our role as the transporter of the energy of tomorrow.

Our refreshed brand highlights our ambition to press ahead with the energy transition in an agile, focused manner and pave the way to transport in our infrastructure hydrogen, biomethane or any other carbon-neutral energy carrier of the future.

At the same time, we – at both Fluxys Belgium and parent group Fluxys – are working hard to get **results with natural gas right now**. Thanks to the natural gas infrastructure, major progress can already be made in heating, mobility and industrial heat demand. We and other market parties are encouraging the use of CNG as an alternative fuel for transport and of LNG specifically for shipping and long-haul transport, to name just a couple of examples.

At Fluxys Belgium we are also working hard on rolling out our action plans to **halve our own greenhouse gas emissions** from 2017 levels by 2025. In this regard, special attention is to be paid to the LNG terminal's CO_2 emissions during peaks in regasification demand. Various options are being studied in a bid to arrive at a solution.

In other words, in recent years we have **made major efforts to press ahead with the energy transition** needed to tackle climate change and air pollution and we are committed to continuing our progress in that direction. However, our brand identity had fallen out of step with this reality, and so we felt the need to better demonstrate our commitment and show our openness to working together to tackle the huge challenge posed by the energy transition. That is why in 2019, we made preparations for the **refresh of our brand** launched earlier this year.

Our refreshed brand identity is neatly encapsulated in the tagline 'Shaping together a bright energy future': by expressing our role in society in this way, we are demonstrating our commitment to continuing to build a greener energy future for the generations to come.

To deliver on this commitment and for gas infrastructure to develop its fully fledged role in the energy system, a number of **fundamental guidelines** must be incorporated into both European and Belgian policy. For instance, it is absolutely essential that the complementarity between the gas and electricity systems can be fully capitalised on. Switching from emission intensive fuels to gas and electricity is also crucial. Finally, a framework must be created in which innovative technologies and the transmission and international exchange of green gas and CO_2 are supported and can be fully integrated into our activities.

At the moment of approving this annual report for submission to the Annual General Meeting, it was largely unclear and **uncertain how the coronavirus pandemic will impact Fluxys Belgium's activities and results in the future**. One thing is clear though: the company as a whole will make every effort to continue safely and securely delivering our essential services to society. At the same time we continue to pursue our ambition to press ahead with energy transition forward in an agile, focused manner and pave the way to transport in our infrastructure hydrogen, biomethane or any other carbon-neutral energy carrier of the future.

31 March 2020

Pascal De Buck Chairman of the Executive Board and CEO	Daniël Termont Chairman of the Board of Directors

Gas infrastructure: cornerstone of a carbon-neutral economy

To address the challenge of climate change, our economy and energy system must be carbon neutral by 2050. We believe that this future can only take shape if we openly and pragmatically enable green electricity and green gases to work together in electricity and gas systems that optimally complement each other. By fully leveraging this complementarity, we can achieve an energy system providing sustainable energy that protects both the climate and air quality, offers security of supply and remains affordable.

The European Commission's proposed European Green Deal confirms this approach. Ensuring that we have enough green energy at all times will mean calling on a carbon-neutral supply of both electricity and gas. Gas infrastructure will be the cornerstone for transporting and storing such carbon-neutral gas, as well as transporting captured CO_2 to storage facilities or for treatment ahead of reutilisation.

Gas infrastructure: Three core assets

The key to a successful energy transition is using the right energy in the right way and ensuring that the best possible use is made of the complementary nature of the gas and electricity systems. Gas infrastructure has three core assets in this dual energy system.

Transmission of green gas and CO_2

Natural gas networks currently only transport natural gas, but in the future they could also transport flows of green gas: biomethane, synthetic gas and, under certain conditions, hydrogen. The infrastructure is also suitable for transporting CO_2 as part of the chain of CO_2 capture and reutilisation or storage. This chain is becoming increasingly important in industrial applications which, for example, use natural gas to generate high levels of process heat.

Huge capacity and flexibility

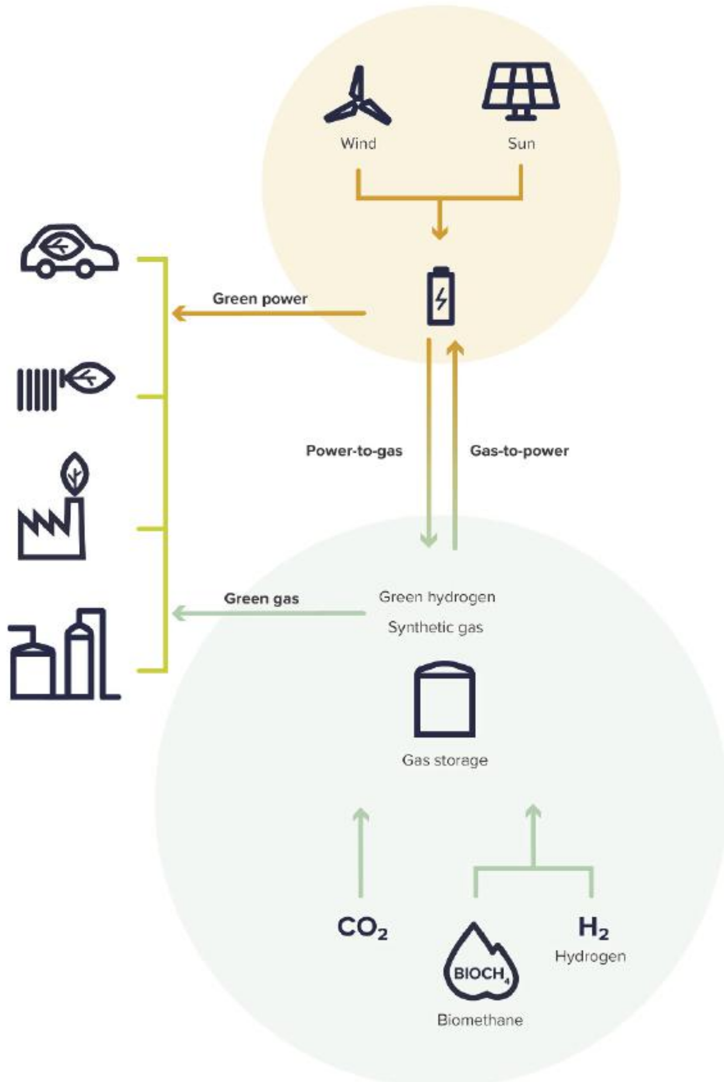
Gas infrastructure offers the energy system of the future the capacity required to supply more low-emission energy to consumers. It also provides the flexibility to accommodate the variability of wind and solar power generation, serving as back-up generating capacity in periods of little wind or sun and offering extensive capacity to store surplus green electricity in the form of gas for relatively long periods.

Cost efficiency

Using existing gas infrastructure to meet future energy needs lowers the level of investment in the energy system as a whole. Gas infrastructure itself is also particularly efficient given the high energy density of gas.

The future energy system

Energy efficiency, green electricity, green gas, CO_2 capture, reutilisation or storage, and optimum interaction between gas and electricity infrastructure are central to ensuring a sustainable, affordable and reliable energy supply. In such a multi-energy, carbon-neutral system, gas infrastructure is key to offering sufficient capacity, storage and flexibility to satisfy future energy demand.



Two pillars for shaping the future energy system

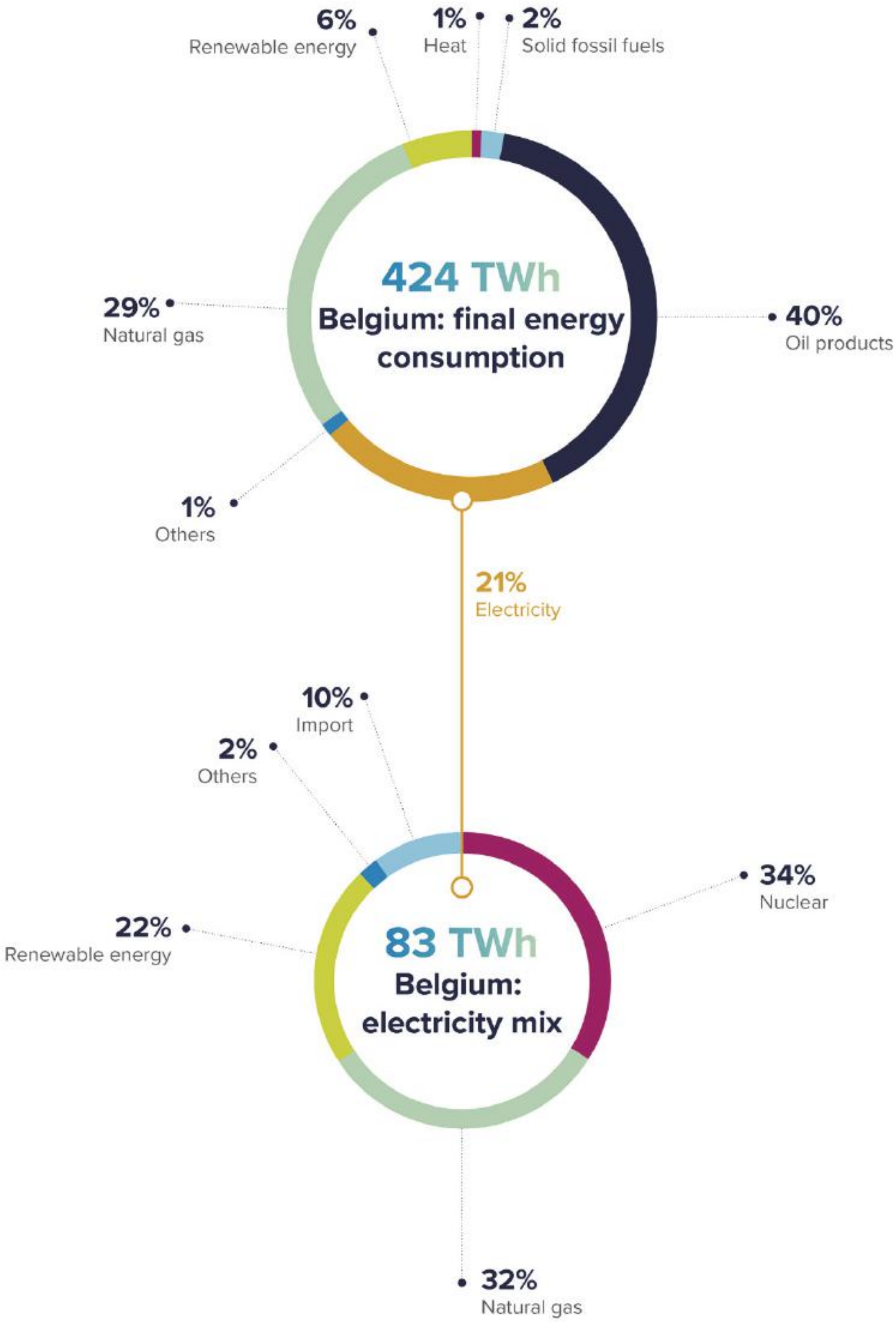
1. Make maximum use of gas infrastructure to transport and store energy

The energy transition is a huge challenge. If we want to spare the climate and tackle air pollution, we need to utilise all the resources at our disposal. This includes making maximum use of gas infrastructure. Gas as an energy carrier and the capacity offered by the gas system are needed to ensure a flexible supply of substantial volumes of green energy to current and future generations.

Supply sufficient levels of green energy

Electricity currently accounts for over 20% of the energy consumed by homes and businesses in Belgium. A fifth of this electricity comes from renewable sources but a lot of effort is still required for this share to reach 100%.

A further challenge lies in ensuring that the remaining 80% of energy consumed is completely green too: even if we make electricity green to the maximum, drastically improve our current energy efficiency and also maximise our imports of green electricity, a lot of additional green energy will still be needed in the form of molecules. That is why we need gas infrastructure for the transition to a carbon-neutral energy system: today for natural gas, which has a favourable emissions profile in the existing energy mix, and tomorrow for green gas and the transmission of CO_2.



[EC Energy Statistics 02.2020 - reference year 2018]

Using the right energy in the right place

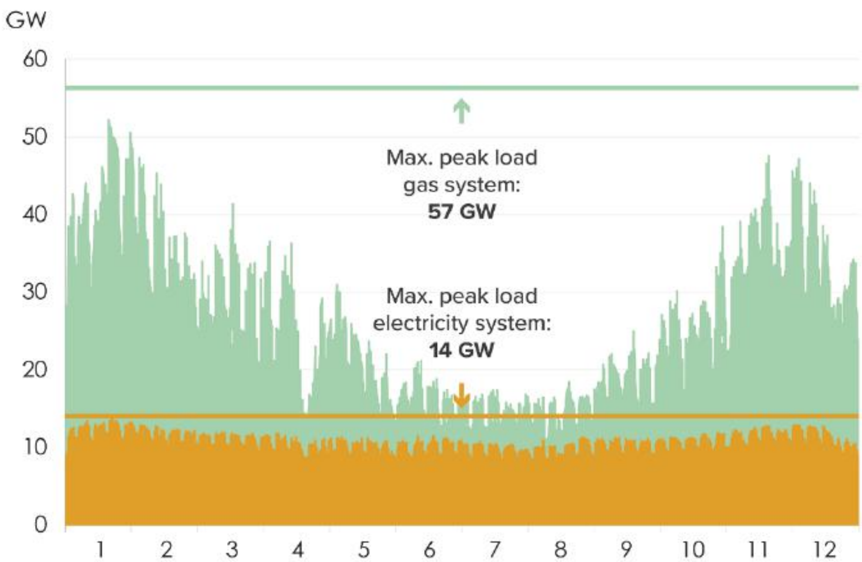
We use energy in a myriad of ways, and gas (natural gas today and green gas tomorrow) is very often the solution indicated.

- Heating: gas technologies such as fuel cells and cogeneration units produce at high efficiency both heat and electricity, providing a solution to relieve the electrical system.
- Gas is the indicated solution for high-temperature heat in industrial processes.
- Raw material: Industry requires gas as a raw material for the production of fertilisers, among other things.

Offering sufficient capacity

Gas infrastructure plays a crucial role in today's energy system when it comes to offering sufficient energy supply capacity. It can also seamlessly take on this role in the carbon-neutral energy system of the future.

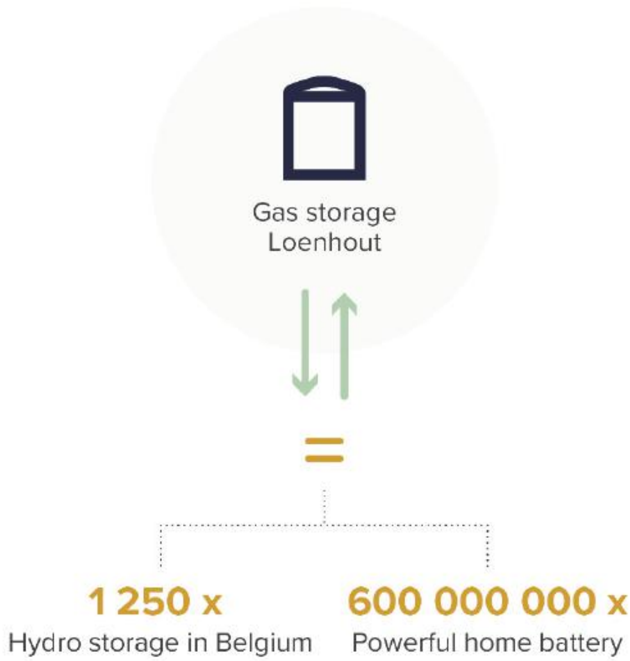
Peak capacity – With regard to heating, gas infrastructure has been built to provide the peak capacity needed to cope with high demand in winter.



[Elia and Fluxys Belgium - reference year 20019]

Electricity generation – The gas system is ready for the decommissioning of nuclear power generation units and for continuing to provide back-up for the increasing variability of green electricity generated by wind and solar energy.

Storage and flexibility – The need for storage and flexibility is growing as the energy system continues to evolve into a carbon-neutral complex that must be capable of capturing excess green energy. As a result, extensive and cost-efficient gas storage capacity is becoming increasingly important.



Getting instant results

Thanks to gas infrastructure, major steps can be taken now in terms of heating, mobility and heat demand in industry to reduce CO_2 emissions and air pollution immediately. Specifically, switching to natural gas significantly decreases local emissions of particulate matter and other air pollutants such as nitrogen oxides, and makes CO_2 emissions drop as well. CO_2 emissions will fall even further as more green gas flows into the gas system.

With regard to **heating and heat demand in industry**, the way to go is utilising efficient gas technologies such as condensing boilers, gas heat pumps, fuel cells or gas-fired CHP technology, which generates both heat and electricity.

When it comes to **mobility**, natural gas vehicles are an excellent complement to electric vehicles. They are suited to longer distances as they have great autonomy, and their affordability opens up greener driving to a substantial section of the population.

Gas-fuelled buses and commercial vehicles address the issue of particulate matter in urban areas, and liquefied natural gas (LNG and bio LNG) is a promising alternative solution when it comes to heavy freight and shipping, making them more sustainable.

For areas without a natural gas network**, Fluxys offers solutions with local infrastructure to unlock natural gas or green gas.**

2. Focus on green gas and innovative gas technologies

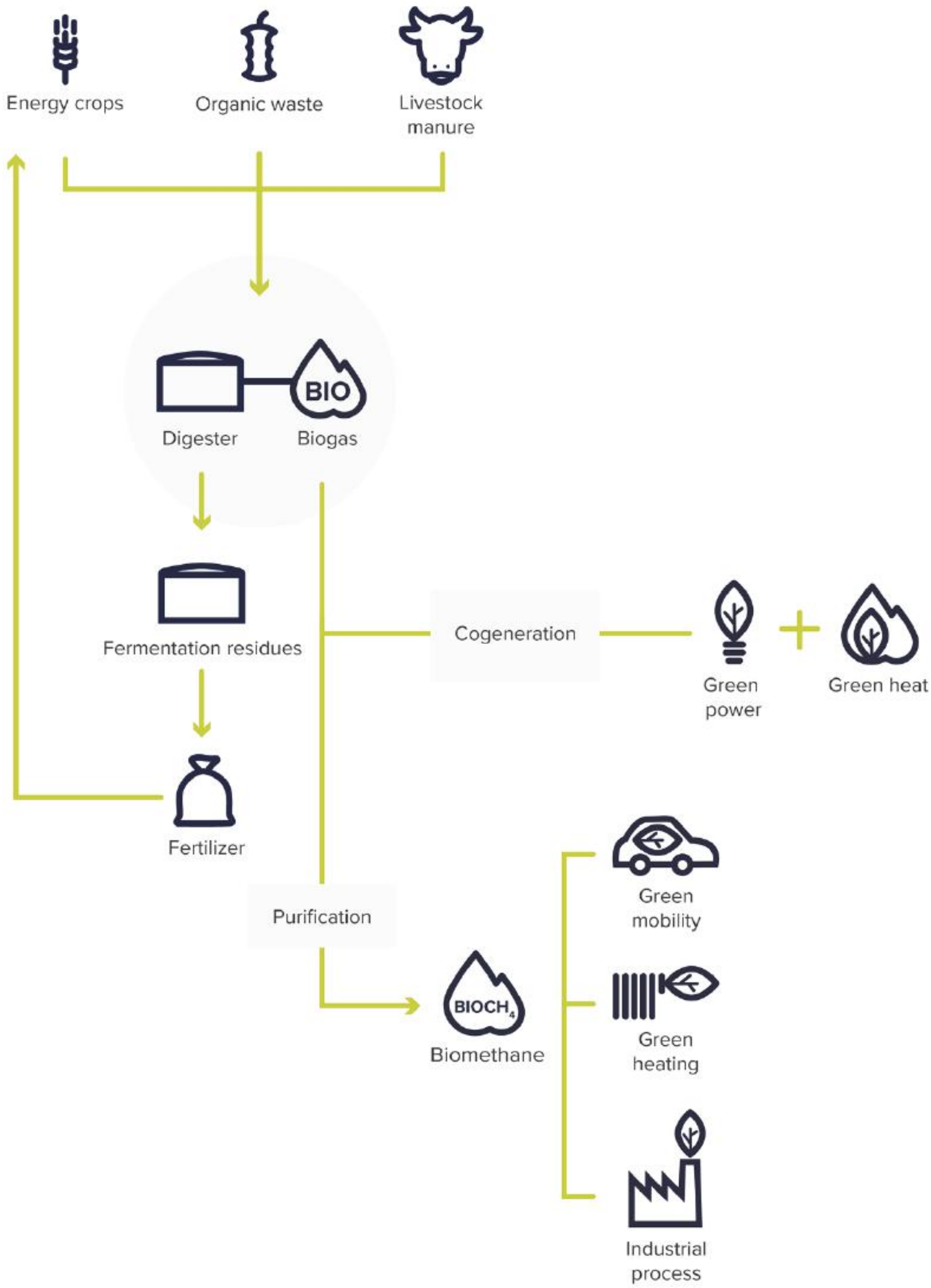
The energy of the future must be carbon neutral. As well as renewable sources like wind and solar energy, green gas will be part of a sustainable energy mix. Green gas may refer to biomethane, synthetic gas or green hydrogen. There is also the potential of so-called 'blue hydrogen' as a carbon-neutral energy carrier. This is hydrogen produced from natural gas, where the released CO_2 is captured and reutilised or stored.

Gas infrastructure and innovative gas technologies are the key to making green gas available as an additional carbon-neutral energy source to homes and businesses. Gas infrastructure will also be an important link in the chain when it comes to capturing CO_2 in some processes and transporting it for reutilisation or storage.

The potential of biogas and biomethane

Biogas is carbon neutral and is extracted from organic matter such as sludge, garden waste, the remains of fruit and vegetables, or animal waste like cow manure. Belgium is currently home to around 200 biogas facilities which are used locally to generate heat and electricity. If biogas is purified into biomethane, it can be transported via the existing natural gas system without restriction.

Compared with our neighbouring countries, biomethane production is still in its infancy in Belgium and its potential needs to be developed further. Biomethane can also be imported on a large scale, as the Fluxys Belgium gas network is optimally interconnected with all neighbouring countries. Cross-border exchanges of biomethane should be encouraged by developing an international system of guarantees of origin.



More about the development of the biomethane market in Belgium can be found in the section 'Climate neutral by 2050: pressing ahead with the energy transition' on page 60.

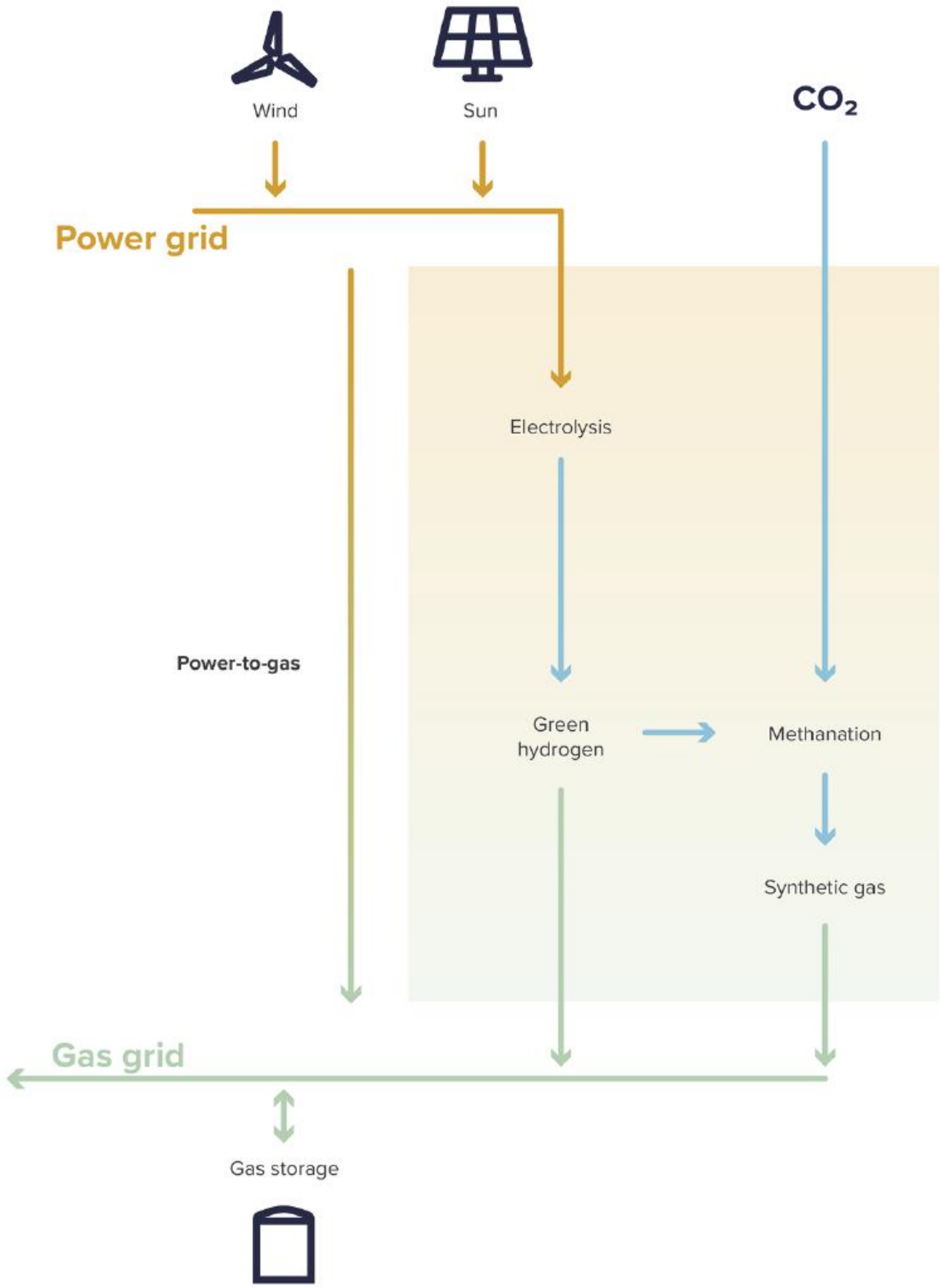
Power-to-gas: A vital link between the gas and electricity systems

Sometimes there is a lot of wind or the sun is shining brightly but demand is too low to absorb the green electricity generated. As wind and solar capacity grows, the risk of energy surpluses and imbalances on the electricity system increases: current technology offers no efficient way to store excess electricity when it is sunny or windy while demand is low. Power-to-gas technology can absorb these surpluses. It converts electricity into green gas that can, for instance, be transported and stored in the gas system. The green gas generated by power-to-gas technology can be green hydrogen or synthetic gas, for example.

Green electricity is turned into green hydrogen via electrolysis. Green hydrogen can contribute to the energy transition in various ways. It can be used to power industrial processes that require high-temperature heat and also as a sustainable raw material in the chemicals industry. Green hydrogen may also become a key energy carrier helping to improve the sustainability of road transport.

Combining green hydrogen with captured CO_2 creates synthetic gas and reuses CO_2 circularly. Synthetic gas has the advantage that there is no limit to how much it can be mixed with natural gas in the existing gas system, while this is only possible to a limited extent with green hydrogen. Separate sections of the pipeline network can be used to transport hydrogen.

In other words, power-to-gas is vital to capitalising on the complementary nature of the gas and electricity systems: it uses green electricity that would otherwise go to waste, meets the need for electricity storage, and serves as a means of maintaining the balance of the energy system.



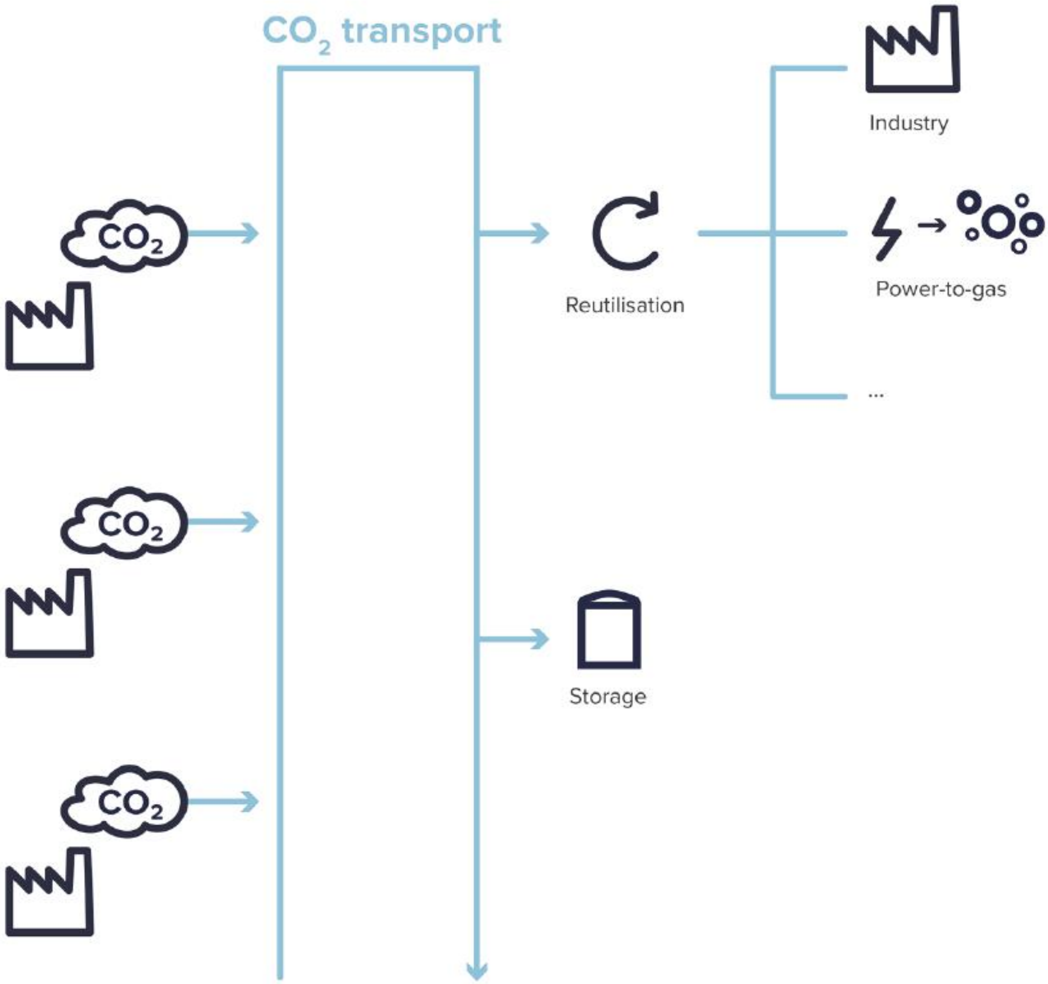
Moreabout the development of the hydrogen market in Belgium can be found in the section 'Climate neutral by 2050: pressing ahead with the energy transition' on page 63.

CO_2 capture and reutilisation/storage

The most recent United Nations climate report makes it clear that carbon-capture technologies will be required to achieve the necessary reductions in CO_2 emissions. Some industrial sectors, for example, require high-temperature heat for their processes, which cannot be generated using electricity or involve processes that produce CO_2 emissions.

Captured CO_2 can be reused in products such as polymers or steel, and extensive research is being conducted around the world into other ways to reutilise CO_2. Any captured CO_2 that cannot be reused should be stored (e.g. in empty gas or oil fields).

Gas infrastructure will be an important link in the chain when it comes to capturing CO_2 in some processes and transporting it for reutilisation or storage.



More about CO_2 capture and reutilisation/storage in Belgium can be found in the section 'Climate neutral by 2050: pressing ahead with the energy transition' on page 64.

Fluxys Belgium in a nutshell

Independent gas infrastructure company

Fully unbundled

Fluxys Belgium is an independent gas infrastructure company with no interests in the generation or sale of energy. In this regard, the Belgian federal energy regulator has certified Fluxys Belgium as a transmission system operator operating in accordance with the full ownership unbundling model as per the European third package of legislative measures for the gas market. The company has 90 years' experience in the development, financing, construction, operation and maintenance of gas infrastructure.

Active in the midstream segment

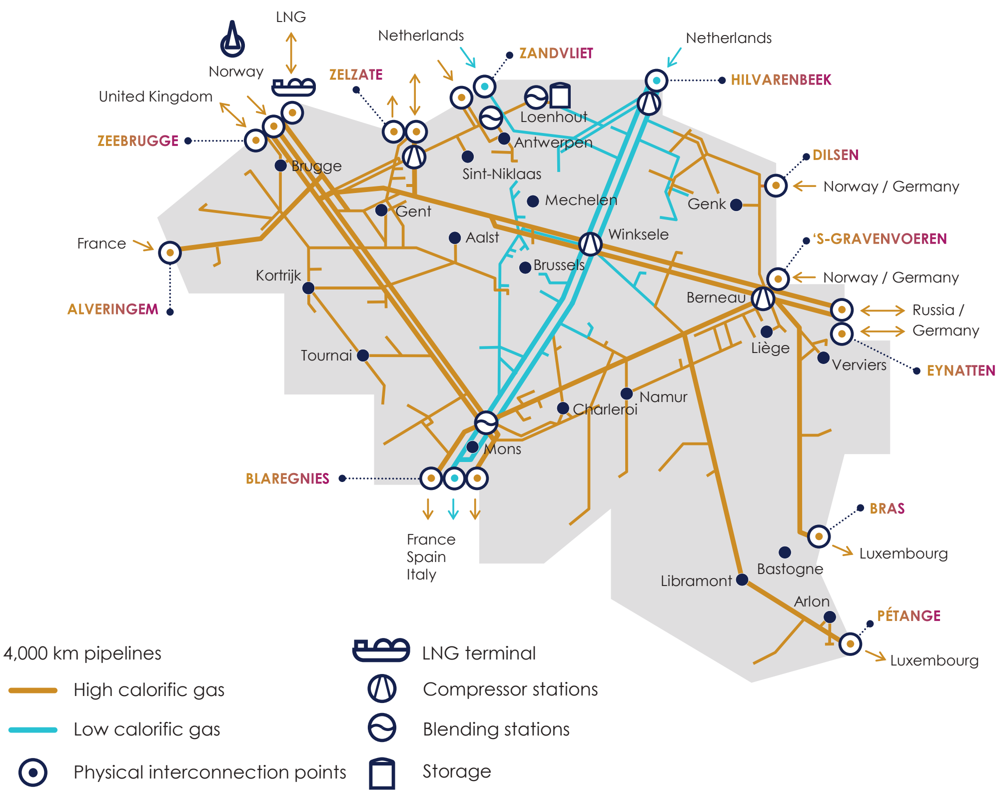
Fluxys Belgium is active in the so-called midstream segment of the natural gas chain: the transmission of natural gas via high-pressure pipeline, the storage of natural gas and the terminalling of liquefied natural gas (LNG). We provide the link between:

- natural gas producers around the world active in the exploration and extraction of natural gas and the production of liquefied natural gas (LNG), wholesalers and traders of natural gas; and
- suppliers who sell natural gas to end users and distribution system operators who supply natural gas at low pressure to households and SMEs.

Ready for the energy carriers of the future

Gas infrastructure and innovative gas technologies are instrumental to gradually making more and more green gas available as an additional carbon-neutral energy source to businesses and homes. In this context, Fluxys Belgium is investigating ways in which new energy carriers such as biomethane and hydrogen can be integrated into its infrastructure.

Infrastructure in Belgium



In Belgium, the company owns and operates 4,000 km of natural gas transmission pipelines and associated infrastructure as well as the underground storage facility in Loenhout, where natural gas is stored in aquifers more than one kilometre under the ground. Fluxys LNG (a wholly owned subsidiary of Fluxys Belgium) owns and operates the terminal for liquefied natural gas (LNG) in Zeebrugge.

Business model: regulated sale of capacity

Regulated activities

Fluxys Belgium derives almost 98% of its operating revenue from the sale of capacity and associated services in its infrastructure for the transmission and storage of natural gas and the terminalling of liquefied natural gas (LNG).

Natural gas transmission and storage as well as LNG terminalling are regulated activities monitored by CREG, the Belgian federal energy regulator. This means that, among other things, tariffs, standard contracts and the range of services are established by means of a formal approval process with CREG.

Belgium's regulatory framework provides for a system of turnover regulation. This means that permitted operating revenue is capped at a level at which the company can cover its costs – the operating costs that are controlled by CREG, depreciations, financial costs and return on invested capital. Profit is determined based on various regulatory parameters, including equity invested, financial structure, and the interest rates of the ten-year Belgian government bonds predominantly issued by the Belgian State (OLOs) (see also 'Legal and regulatory framework' on page 167).

Highly competitive infrastructure

Capacity sold for border-to-border transmission accounts for approximately 60% of revenue from transmission activities. Fluxys Belgium competes with the transmission system operators in other North-West European countries that offer border-to-border capacity. The remaining 40% of revenue from transmission activities comes from the sale of capacity for the supply of natural gas on the Belgian market. The company has a natural monopoly here.

Natural gas storage and LNG terminalling are competitive markets as well. As such, the Loenhout storage site is in competition with other storage sites and gas trading places in North-West Europe. The Zeebrugge LNG terminal, in turn, competes with other terminals.

Three core activities

Transmission services

Fluxys Belgium sells capacity in its pipeline infrastructure to its customers to transport natural gas to distribution system operators, power plants and major industrial end users in Belgium or to send natural gas to border points for transmission to other end-user markets in Europe. Fluxys Belgium also offers its customers gas trading services, allowing them to buy and sell gas on Belgium's ZTP gas trading place.

Storage

Fluxys Belgium offers storage services enabling customers to use buffer capacity flexibly according to their needs to ensure the continuity of supplies to end users or for their activities on gas trading places.

Liquefied natural gas (LNG) terminalling

At the Zeebrugge terminal, Fluxys Belgium sells capacity for loading and unloading LNG carriers, storing LNG or regasifying it for further transmission on the network. Customers can also transfer LNG between two vessels. Another service is the loading of LNG trailers or LNG containers to supply local networks or industrial sites in Europe where pipeline supplies are unavailable, to supply filling stations for LNG-fuelled trucks, or to supply LNG-powered vessels.

Crossroads for international gas flows

Optimum connections

The Belgian network has excellent connections with all sources available to the European market, enabling customers to move the LNG they import by ship or the natural gas they supply by pipeline in any direction: France, the United Kingdom, the Netherlands, Germany and Luxembourg. LNG can also be transported from Zeebrugge to other destinations in Europe or around the world by ship or truck.

Competitive prices

An optimum investment policy, a keen eye for cost efficiency and a finger on the pulse when it comes to the services that customers want: with this combined approach, we offer our customers a set of quality services tailored to market demand at competitive prices – our transmission tariffs, for example, are very favourable compared with neighbouring countries.

Part of the Fluxys group

Our values

Customer focus – We monitor our environment closely and listen to our customers' needs. This approach provides the driving force enabling us to achieve the results we strive for.

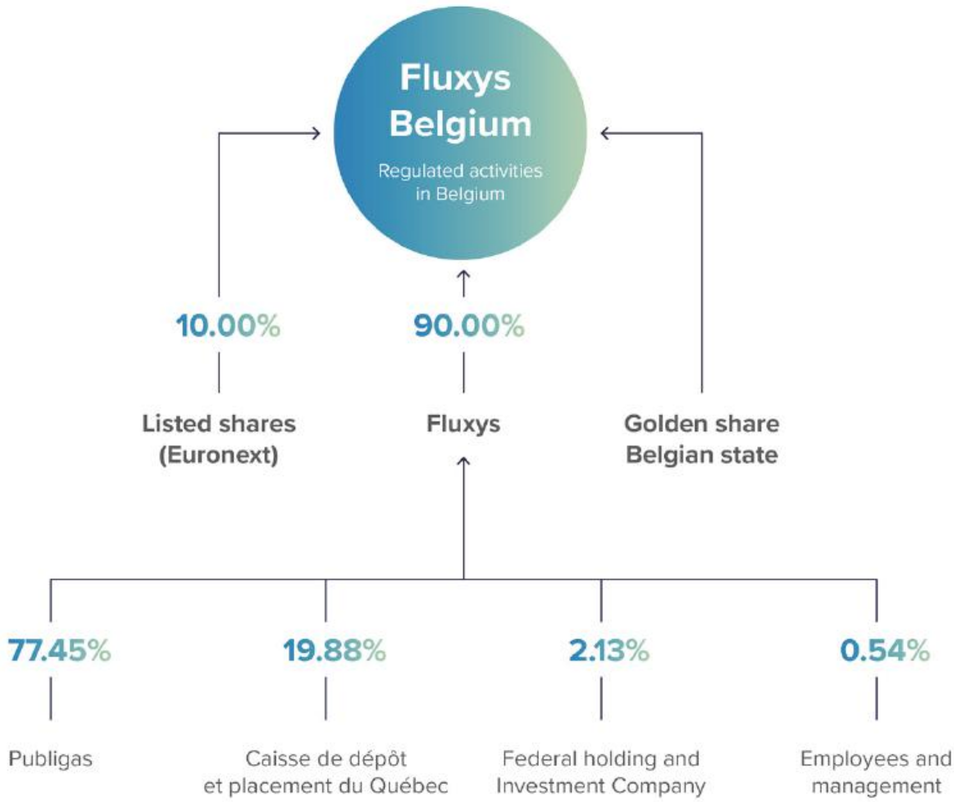
Cohesion – For us, cooperation and team spirit are key to jointly achieving our desired results.

Professionalism and commitment – We are committed to achieving our results by adopting an efficient approach and ensuring that we are guided by best practices in everything we do. We systematically enhance our expertise and continually seek creative, cost-effective solutions.

Safety and environment – The safety of our facilities is our top priority, because we are responsible for the transmission of a type of energy that entails risks. In the same spirit of sustainability, we strive to minimise the environmental impact of our operations while keeping a close eye on well-being in the workplace.

Good neighbourly relations – We provide services of general economic interest and have to ensure that our activities are properly integrated into society. Through open dialogue, we want to establish good relations with all those affected by the construction and operation of our facilities.

Our shareholders as at 25 March 2020



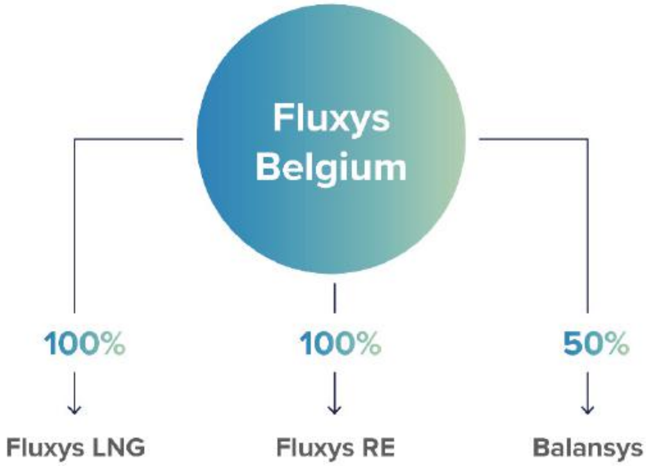
Fluxys Belgium is a public limited company and is part of the Fluxys group:

- Fluxys holds a 90% stake in the company.
- 16.71% of shares in the company are listed on Euronext. 6.71% of listed shares are held by Fluxys.
- The golden share held by the Belgian State gives the federal government special rights should Fluxys Belgium consider selling strategic infrastructure whose sale would, in the competent minister's opinion, compromise the country's energy interests. The Belgian State is represented by the federal Minister of Energy.

Fluxys' shareholder structure is as follows:

- **Publigas** manages the interests of Belgian municipalities in Fluxys.
- **Caisse de dépôt et placement du Québec is a financial institution that manages funds primarily for pension schemes and public and private insurance in Canada (Quebec). It has amassed considerable experience in natural gas transmission and infrastructure through its shareholdings in natural gas transmission and distribution companies in the United States, Canada and Europe.**
- Belgium's **Federal Holding and Investment Company (SPFI-FPIM)** was set up to manage, on behalf of the Belgian State, shareholdings in public and private companies of strategic economic importance to Belgium.
- Since 2012, **Fluxys group employees and management** have had multiple opportunities to become Fluxys shareholders.

Our subsidiaries



Fluxys LNG (consolidated subsidiary – wholly owned by Fluxys Belgium). Fluxys LNG is the owner and operator of the Zeebrugge LNG terminal and sells terminalling capacity and associated services.

Flux Re (consolidated subsidiary – wholly owned by Fluxys Belgium). Flux Re is a reinsurance company under Luxembourg law.

Balansys (stake consolidated using the equity method – Fluxys Belgium holds a 50% stake). As part of the 2015 integration of the Belgian and Luxembourg gas market, Fluxys Belgium and Creos Luxembourg (the Luxembourg transmission system operator) set up the company Balansys, a joint venture in which Fluxys Belgium and Creos Luxembourg each have a 50% stake. In 2020, Balansys will become the operator responsible for balancing activities for the integrated Belgian-Luxembourg gas market.

Composition of the corporate bodies as at 25 March 2020

Board of Directors

- Daniël Termont, Chairman of the Board of Directors and Vice-Chairman of the Strategy Committee
- Claude Grégoire, Vice-Chairman of the Board of Directors and Chairman of the Strategy Committee
- Jos Ansoms
- Laurence Bovy*
- Sabine Colson*, Chairman of the Corporate Governance Committee
- Patrick Côté
- Valentine Delwart*
- Sandra Gobert*
- Andries Gryffroy
- Luc Hujoel, Chairman of the Appointment and Remuneration Committee
- Ludo Kelchtermans, Chairman of the Audit Committee
- Roberte Kesteman*
- Anne Leclercq*
- Renaud Moens
- Walter Nonneman*
- Josly Piette
- Koen Van den Heuvel
- Geert Versnick
- Sandra Wauters*
- Luc Zabeau
- François Fontaine, federal government representative acting in an advisory capacity
- Pascal De Buck, CEO and Chairman of the Executive Board, invited in an advisory capacity

Nicolas Daubies, Company Secretary and Group General Counsel, acts as secretary to the Board of Directors.

* Independent director under the provisions of the Gas Act

Strategy Committee

- Claude Grégoire, Chairman
- Daniël Termont, Vice-Chairman
- Jos Ansoms
- Patrick Côté
- Valentine Delwart
- Luc Hujoel
- Walter Nonneman
- Koen Van den Heuvel
- Sandra Wauters
- Andries Gryffroy, observer acting in an advisory capacity
- François Fontaine, federal government representative acting in an advisory capacity
- Pascal De Buck, CEO and Chairman of the Executive Board, invited in an advisory capacity

Nicolas Daubies, Company Secretary and Group General Counsel, acts as secretary to the Strategy Committee.

Audit Committee

- Ludo Kelchtermans, Chairman
- Laurence Bovy
- Sabine Colson
- Patrick Côté
- Anne Leclercq
- Renaud Moens
- Sandra Wauters

Nicolas Daubies, Company Secretary and Group General Counsel, acts as secretary to the Audit Committee.

Corporate Governance Committee

- Sabine Colson, Chairman
- Valentine Delwart
- Sandra Gobert
- Roberte Kesteman
- Anne Leclercq
- Josly Piette
- Luc Zabeau

Nicolas Daubies, Company Secretary and Group General Counsel, acts as secretary to the Corporate Governance Committee.

Appointment and Remuneration Committee

- Luc Hujoel, Chairman
- Laurence Bovy
- Valentine Delwart
- Roberte Kesteman
- Walter Nonneman
- Koen Van den Heuvel
- Geert Versnick

Anne Vander Schueren, Director Human Resources, acts as secretary to the Appointment and Remuneration Committee.

Executive Board

Operational management of the company, including day-to-day management and representation of the company vis-à-vis third parties, is the responsibility of the Executive Board, which has the following composition:

- Pascal De Buck, Chairman of the Executive Board and Chief Executive Officer
- Arno Büx, member of the Executive Board and Chief Commercial Officer
- Christian Leclercq, member of the Executive Board and Chief Financial Officer
- Peter Verhaeghe, member of the Executive Board and Chief Technical Officer

The Executive Board is assisted by the following members of management, with whom they form the Executive Committee:

- Leentje Vanhamme, Director Commercial Regulated
- Ben De Waele, Director Installations & Grid
- Gérard Kimus, Director Planning & ICT
- Anne Vander Schueren, Director Human Resources
- Rafael Van Elst, Director Construction, Engineering & Gas Flow
- Yves Vercammen, Director Transformation Projects

Nicolas Daubies, Company Secretary and Group General Counsel, acts as secretary.

Corporate social responsibility: Where does our focus lie?

Fluxys Belgium's activities are of general economic interest and we want to be a responsible company in this regard. Fluxys Belgium therefore pursues an active sustainability policy centred on three pillars:

We are committed to a carbon-neutral energy system by 2050.

We ensure safe, reliable and affordable gas infrastructure.

We encourage employee development and ensure safety, health and well-being in the workplace.

Materiality analysis

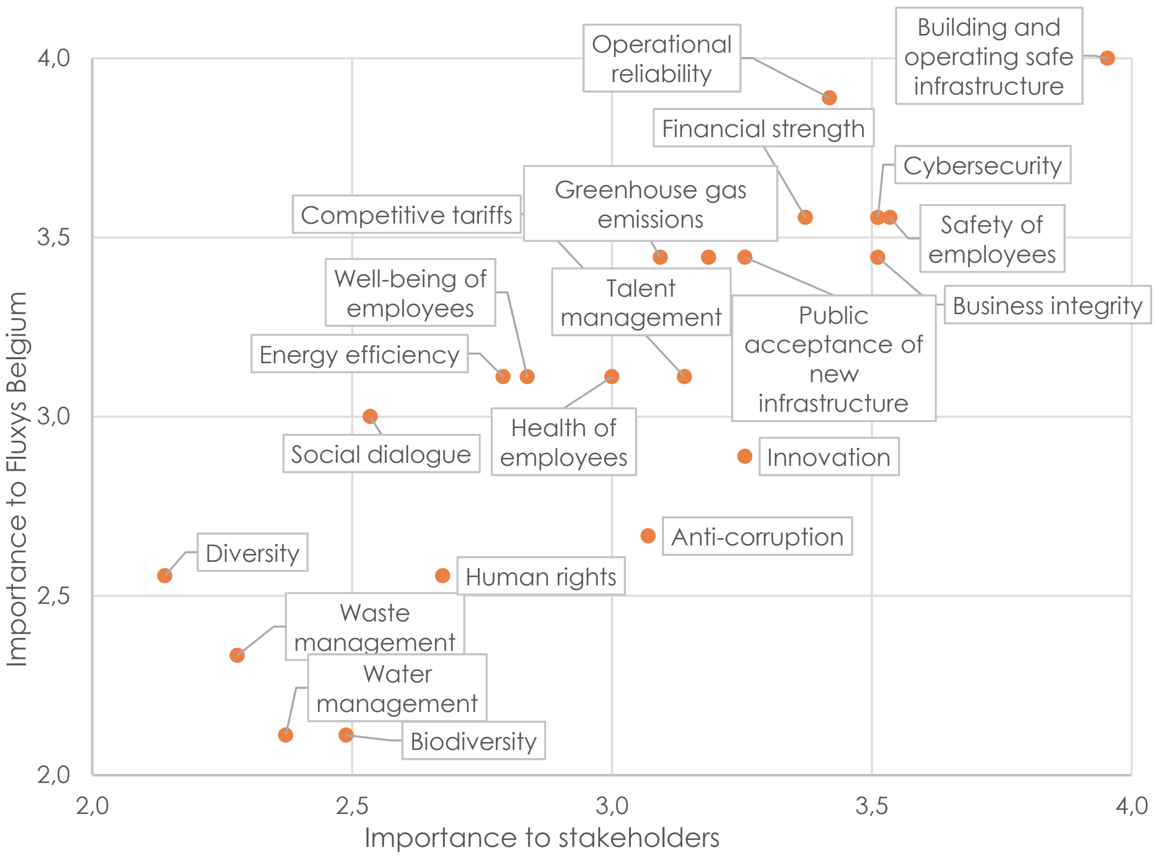
The reporting in this annual report integrates non-financial information in line with Global Reporting Initiative Standards[1] and thus provides an explanation of the topics that are material to Fluxys Belgium's activities, taking into account the context and value chain within which the company operates and the interests of the company's stakeholders.

Materiality matrix: The non-financial reporting topics in this annual report (see details on the page opposite) are in the quadrant of the issues of great importance to Fluxys Belgium and its stakeholders.

[1] The Global Reporting Initiative (GRI) provides a generally accepted system for sustainability reporting. This includes principles and indicators that organisations can use to uniformly and transparently report on their economic, environmental and social performance.

In 2019, Fluxys Belgium consulted its stakeholders to gather their views on the importance of Fluxys Belgium's role and impact in a number of sustainability-related areas. The company's Executive Committee was consulted as well. The materiality matrix shows the consolidated result of both consultations.

The matrix shows that safety in the broad sense (for employees, the gas infrastructure and ICT), operational reliability, business integrity and the company's financial strength are given the most weight.



Materiality matrix: detail

Stakeholders

Employees

Above all, employees expect the company to be a good employer and provide a healthy, safe workplace.

Dialogue with employees mainly occurs through regular consultation on platforms such as the Works Council or the Committee for Prevention and Protection at Work. Fluxys Belgium also continuously provides its employees with information via the intranet and offers a wide range of training courses and opportunities for development (see 'Encouraging employee development' on page 123 and 'Promoting well-being at work' on page 139).

Local residents

One of Fluxys Belgium's values good neighbourly relations. By 'local residents' we mean various groups of stakeholders:

- residents owning or using land where our infrastructure is located;
- residents owning or using land in the vicinity of such infrastructure;
- the local authorities and emergency services of the towns, cities and municipalities where our infrastructure is located or where we carry out work.

For them, information, safety and minimal disruption are key. With this in mind, Fluxys Belgium organises numerous information and awareness-raising campaigns, and we constantly keep an eye on the safety of our facilities (see 'Constructing and operating safe infrastructure' on page 99 and 'Good neighbourly relations' on page 107).

Shareholders

Through its governance bodies, Fluxys Belgium regularly consults its shareholders on matters including strategy, financial performance, risk management, and the safety and reliability of natural gas transmission (see 'Risk management' on page 154 and 'Corporate Governance Declaration' on page 177).

Customers

Fluxys Belgium's customers are the users of the transmission system, the Loenhout storage facility and the Zeebrugge LNG terminal: gas producers, wholesalers, traders and suppliers who buy capacity in the company's infrastructure to get their natural gas to its intended destination.

The company's customer base also includes distribution system operators and consumers directly connected to the transmission system, such as industrial companies and gas-fired power plants. In principle, they do not purchase capacity from Fluxys Belgium but there is an operational link due to their physical connection to the transmission system.

Optimum availability of capacity in Fluxys Belgium's infrastructure and competitive tariffs are extremely important for all customers (see 'Operational robustness' on page 75).

Fluxys Belgium maintains constant contact with its customers via a team of key account managers. The company also organises an annual event for each customer group with a view to addressing topics that regularly come up in day-to-day contact with key account managers.

When developing new services, proposing new tariffs or suggesting amendments to contractual documents, Fluxys Belgium conducts a market consultation in accordance with the regulatory framework.

Suppliers

With a view to ensuring high quality standards, suppliers wishing to work with Fluxys Belgium must undergo a qualification procedure before they can supply the company with products or services. Suppliers are divided into three categories:

- suppliers of goods (e.g. electrical equipment, pipelines, instrumentation and control equipment);
- suppliers of services (e.g. IT, human resources, communication, engineering);
- works contractors (e.g. contractors performing civil engineering works).

Authorities and regulators

These are mainly the Belgian and European authorities and regulators responsible for energy (in all its aspects), as well as financial regulators such as the Financial Services and Markets Authority.

These energy authorities and regulators are responsible for monitoring natural gas transmission in Belgium to check that it is reliable and safe and that the natural gas market operates smoothly. Guiding these processes is a transparent, regular dialogue between Fluxys Belgium and the various authorities involved.

Fluxys Belgium is also listed on the stock exchange; as such, the company regularly releases information in the form of publications, reports and notifications.

Financial institutions

Financial institutions contribute to the financing of Fluxys Belgium's activities. Regular information and transparency are essential here.

The pillars of our sustainability policy

Planet

Committing to a carbon neutral energy system by 2050

- We reduce the **GHG emissions** of our activities
- We are committed to the **energy transition**

Prosperity

Offering a safe, reliable & affordable gas infrastructure

- We seek **financial health** and generate **welfare** for society
- We seek **operational strength**
- As **a societal responsible operator** we build & operate safe gas infrastructure in good neighbourship

People

Encouraging employee development & taking care of health, safety & well-being

- We **develop the competences** of our employees through training
- We take care of **health, safety & well-being at work**

Climate neutral by 2050: pressing ahead with the energy transition

Along with the users of its infrastructure and with distribution system operators, Fluxys Belgium provides end users in Belgium and on the Western European market with an energy source that can significantly contribute to cutting greenhouse gases and emissions harmful to air quality, thanks to its advantageous emissions profile.

Natural gas also has a growing role to play in replacing more harmful fuels in various sectors, and the company is actively supporting the development of the necessary infrastructure.

Furthermore, Fluxys Belgium is preparing for the influx of green gas into its infrastructure in order to further shape a carbon-neutral energy system, while also striving to minimise the impact of its own activities on the climate and the environment. We have set ourselves the goal of reducing our greenhouse gas emissions by 50% on 2017 levels by 2025.

International collaboration with Gas for Climate

By 2050, the whole economy will need to be carbon-free if the Paris climate agreement target of limiting the global rise in temperatures to below 2°C is to be met. To this end, Fluxys Belgium is a member of the Gas for Climate initiative launched to investigate and document the role of renewable and emission-neutral gas in the energy system of the future and quantify its contribution to achieving our climate targets.

Eight other European gas transmission companies (Enagás, Energinet, Gasunie, GRTgaz, ONTRAS, Open Grid Europe, Snam and Terega) and two organisations representing renewable gas producers (European Biogas Association and Consorzio Italiano Biogas) are working alongside Fluxys Belgium in the context of this initiative.

In 2018, Gas for Climate commissioned a study into the future role of gas in an energy system with zero greenhouse gas emissions. In 2019, the study delved into this subject in greater depth to include more details about industry, transport and other consumption segments, and to consider further options for low-carbon gas. It shows that it is possible to establish an emission-neutral gas system in the EU by

Gas for Climate is currently examining various upscaling strategies for renewable gases and these strategies' implications for gas infrastructure. The idea is to complete the analysis in the first half of 2020. In light of the EU's ambitious European Green Deal, the analysis will make concrete proposals on how best to use gas infrastructure as an asset in the drive to achieve a carbon-free society at minimal cost and to do so quickly, efficiently and in a sustainable way.

further scaling up the production of renewable gas by 2050. It further indicates that the annual cost for society of a scenario with renewable gas is more than €200 billion lower than a scenario involving minimal use of gas.

Gas for Climate also investigated the employment-related impact of upscaling renewable gases. According to the study, 600,000 to 850,000 direct jobs would arise from investments in infrastructure for biomethane and hydrogen production. Moreover, employment by its very nature cannot be delocalised in the longer term.

Active voice in the Belgian energy debate

In 2019, Fluxys organised the second Fluxys Forum, where stakeholders from the energy world could exchange ideas about solutions for a sustainable and carbon-neutral future.

Electricity currently accounts for over 20% of the energy consumed by homes and businesses in Belgium. A fifth of this electricity comes from renewable sources but a huge effort is still required for this share to reach 100%. A further challenge lies in ensuring that the remaining 80% of energy consumed is completely green too: After all, electrification has its limitations and in addition to green electricity, a lot of additional green energy will be needed in the form of gas.

That is why we need gas infrastructure for the transition to a carbon-neutral energy system: today for natural gas, which has a favourable emissions profile in the existing energy mix, and tomorrow for green gas and the transmission of CO_2. Gas infrastructure is also key to offering sufficient capacity, storage and flexibility to satisfy future energy demand.

Based on this vision, the company has also proposed three key principles underlying the future energy policy:

- fully leveraging complementarity between the gas and electricity systems;
- replacing the most harmful fossil fuels with gas and electricity; and
- creating a regulatory framework allowing full integration of green gas and innovative technologies into our infrastructure.

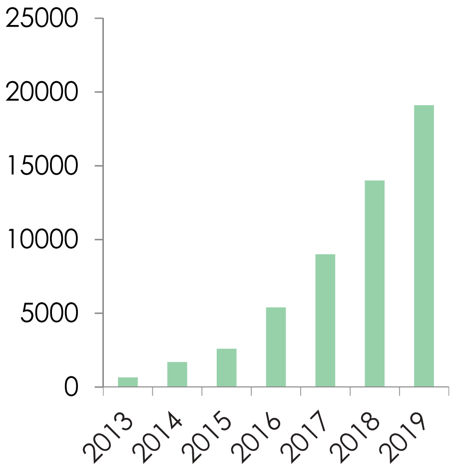
The Shift: developing innovative solutions

Since 2019, Fluxys Belgium has been part of The Shift, a non-profit Belgian sustainability hub bringing together just under 3,400 people from more than 410 companies, NGOs, academic institutions and governmental departments. Along with its members and partner organisations, The Shift aims to develop innovative solutions to address the main challenges facing our environment, our society and our economy. In this work, it is guided by the United Nations' Sustainable Development Goals.

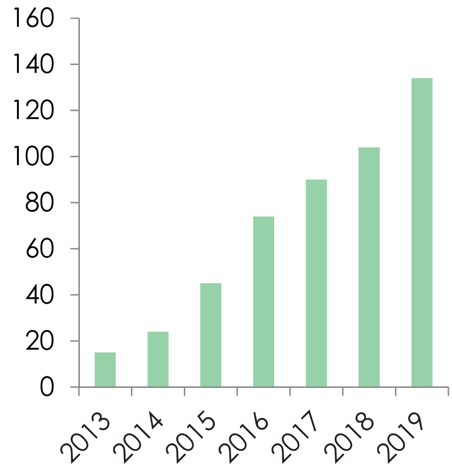
Development of natural gas as a transport fuel

Natural gas has a good emissions profile, making it an important alternative fuel in the transport segment. Switching to natural gas not only immediately cuts local carbon emissions, but also reduces the impact on air quality and health: nitrogen oxide emissions are up to 90% lower and emissions of sulphur and particulate matter are negligible.

Fluxys Belgium and the Fluxys group are active on several fronts to promote natural gas, biomethane and, at a later stage, hydrogen as a fuel for transport. While compressed natural gas (CNG) in gaseous form is used for cars, buses and commercial vehicles, liquefied natural gas (LNG) is the ideal solution for shipping and long-distance freight transport.



Number of CNG vehicles



Number of CNG filling stations

The number of vehicles powered by compressed natural gas (CNG) in Belgium rose by almost 40% in 2019, from 14,000 to just over 19,000. Around 30 CNG filling stations were opened, bringing the total number in Belgium to 134. Another 30 or so are at the planning stage and should be ready in 2020. At the end of 2019, Belgium had 12 LNG filling stations, with another six at the planning stage.

LNG-powered seagoing vessels have been able to refuel via LNG bunkering vessels since 2017 thanks to the commissioning of the second jetty at the Zeebrugge LNG terminal and the LNG bunkering vessel ENGIE Zeebrugge. Parent company Fluxys is a partner in that ship, whose home port is Zeebrugge.

Parent company Fluxys is also working with partners to unlock LNG as a fuel in the port of Antwerp. To this end, Fluxys is facilitating ship bunkering with LNG trailes at dock 526/528, and G&V Energy Group and Rolande LNG (a subsidiary of Titan LNG) are building an LNG filling station for trucks next to the dock. Parent company Fluxys and Titan LNG will also use the infrastructure to provide a permanent LNG bunkering point at dock 526/528. Furthermore, Fluxys is teaming up with Titan LNG to build a pontoon that will allow ship bunkering in the port and the surrounding area. The additional LNG refuelling and bunkering facilities will be commissioned in the course of 2020.

Development of the biomethane market

Nascent market

Compared with neighbouring countries, biomethane production in Belgium is still at an early stage. The biomethane unit of intermunicipal company IOK Afvalbeheer in the Kempen region is currently the country's only production plant. The first facility in Wallonia will be commissioned at Sombreffe in 2020, and a number of projects are under preparation that may entail additional injections of biomethane into the natural gas networks in 2021.

Significant potential

In 2019, Valbiom, working for the Belgian gas federation gas.be, examined the possible contribution of biogas in Belgium and concluded that there was a realistic potential of 15.6 TWh per year, equivalent to around 8% of the current natural gas consumption. Tapping into that potential would involve an annual reduction of 6 million tonnes of CO_2 emissions, i.e. around 5% of the total.

Once purified into biomethane, almost 70% of the biogas could be injected into distribution systems. If biomethane were also to enter the Fluxys Belgium transmission system, that proportion of 70% could increase even further.

Biomethane can also be imported on a large scale, as the Fluxys Belgium gas network is optimally interconnected with all neighbouring countries. Cross-border exchanges of biomethane should be encouraged by developing an international system of guarantees of origin.

Working on certification systems

Fluxys Belgium is supporting the development of the biomethane chain in Belgium by actively contributing to the establishment of the appropriate certification systems. These are key to enabling consumers to purchase green gas such as biomethane. Developing the demand market will in turn stimulate production-based initiatives.

In 2018, Fluxys Belgium teamed up with the gas federation gas.be and Belgium's distribution system operators to set up a system of green gas certificates, called greengasregister.be, that would allow consumers to buy green gas just as they buy green electricity. This system has made it possible that bio CNG for vehicles was be available at a filling station in Brussels since the end of 2019.

In Flanders, at the government's initiative, a separate system of guarantees of origin has been in place for green gas since early 2020. Fluxys Belgium has been appointed production registrar for this. Green-gas producers in Flanders must demonstrate to Fluxys Belgium the green nature of their production, and the company also registers the quantities produced for the Flemish energy regulator, VREG. VREG uses this information to award guarantees of origin, which are then used as a basis for green-gas trading.

In Wallonia, a separate system applies to the use of biomethane in CHP facilities. Other green-gas flows are facilitated via greengasregister.be.

Green Gas Platform: paving the way to become the transporter of the energy of tomorrow

Becoming the transporter of the energy of tomorrow is a cornerstone of Fluxys Belgium's strategy. That is why we established the Green Gas Platform as a competence centre within the company. Its multidisciplinary team aims to encourage market development for new energy carriers.

The Green Gas Platform concentrates on building up technical expertise and is investigating, for example, ways in which new energy carriers such as biomethane and hydrogen can be integrated into the natural gas infrastructure. The team also focuses on the regulatory aspects and economic conditions that play a role in developing energy markets.

Development of the hydrogen market

Within the Fluxys group as a whole, efforts are under way with a range of partners and on various projects to carve out a place for hydrogen as a carbon-neutral energy carrier within the energy system and the wider economy.

Power-to-gas project with Eoly and Parkwind

The aim of the Hyoffwind green energy project is to build a power-to-gas facility in Zeebrugge with Eoly (part of Colruyt Group) and Parkwind to use electrolysis to convert renewable electricity into green hydrogen. Hyoffwind is envisaged as an industrial-scale facility (electrolyser capacity of 25 MW) and would become the first of its kind in Belgium to provide such capacity. It is expected that the final investment decision can be taken in 2020 (after the summer).

Hydrogen imports

Any viable hydrogen sector requires enough renewable electricity to be generated to produce green hydrogen. However, the potential for producing renewable electricity as a source of green hydrogen is limited in Belgium. Therefore, imports of green hydrogen will also be required if the hydrogen economy pushes through.

At Belgian level, within the wider Fluxys group, cooperation with DEME, ENGIE, EXMAR, the Port of Antwerp, the Port of Zeebrugge and WaterstofNet is ongoing on a joint analysis of the whole import and transport chain for hydrogen. The goal is to find out how and in what form green hydrogen can best be imported as an energy carrier. The results of this analysis will pave the way for setting up concrete projects.

At North-West European level, a collaboration has been set up with ENGIE, Gasunie, the Port of Antwerp, Salzgitter and WaterstofNet on hydrogen transport. The aim is to reuse parts of the existing natural gas infrastructure to establish a cross-border pipeline backbone covering Belgium, the Netherlands, Germany and France in order to transport green hydrogen and provide links between production units near offshore wind farms to industrial consumption hubs and port regions.

Specifically for Belgium, the research as a first step investigates which connections are required between the port of Antwerp, the ports making up North Sea Port, and the port of Zeebrugge.

CO_2 capture and reutilisation/storage

The capture, reutilisation and storage of CO_2 is an important tool for port industry in the fight against global warming. With this in mind, parent company Fluxys is working with a number of ports in Belgium and the Netherlands.

A preliminary study with the Port of Antwerp was completed in 2019. As a follow-up to this, the Port of Antwerp, Fluxys, Air Liquide, BASF, Borealis, ExxonMobil, INEOS and Total signed a cooperation agreement. The aim is to investigate the technical feasibility of the appropriate CO_2 capture, reutilisation and storage infrastructure. The premise is that this infrastructure must be of the open access type , meaning that it can be used by the whole industrial port community.

Fluxys Belgium: 50% reduction in greenhouse gas emissions by 2025

Fluxys Belgium has undertaken to cut its greenhouse emissions by 50% on 2017 levels by 2025 and has produced a roadmap and an action plan to this end.

Efforts to further limit methane emissions

Total methane losses on the Fluxys Belgium network equal 0.02% of the total volume transported. This is less than the average methane losses on the European transmission system, which were estimated at 0.05% in a study conducted in 2018 by Marcogaz, the Technical Association of the European Natural Gas Industry.

With a view to halving its greenhouse gas emissions, Fluxys Belgium has created a four-prong programme to combat the sources of methane loss in its network:

- **Cut pneumatic emissions:** Modify equipment generating higher emissions or replace it with equipment controlled by electricity or compressed air.
- **Reduce fugitive methane emissions:** Regular LDAR (Leak Detection And Repair) campaigns enable us to detect uncontrolled emissions and to repair or optimise them.
- **Reduce emissions during work on the gas system:** If possible, the natural gas that is allowed to escape in a controlled way during work is recompressed and injected elsewhere.
- **Other ways:** Various studies are currently exploring other ways to reduce methane emissions.

Efforts to further reduce carbon emissions

Since 2013, Fluxys has used an Open Rack Vaporizer at the LNG terminal to regasify LNG with heat from seawater, which has a positive impact on the energy consumption as well as emissions of CO_2 and NO_x.

When balancing the network or controlling gas flows, Fluxys Belgium strives to use its compressor facilities as little as possible.

Fluxys Belgium has CO_2 emission rights for each of its five sites that are subject to the EU Emissions Trading Directive. An internal audit is organised and an emissions report drawn up every year. This report then undergoes an external audit.

Green gas to heat head office and buildings in Anderlecht

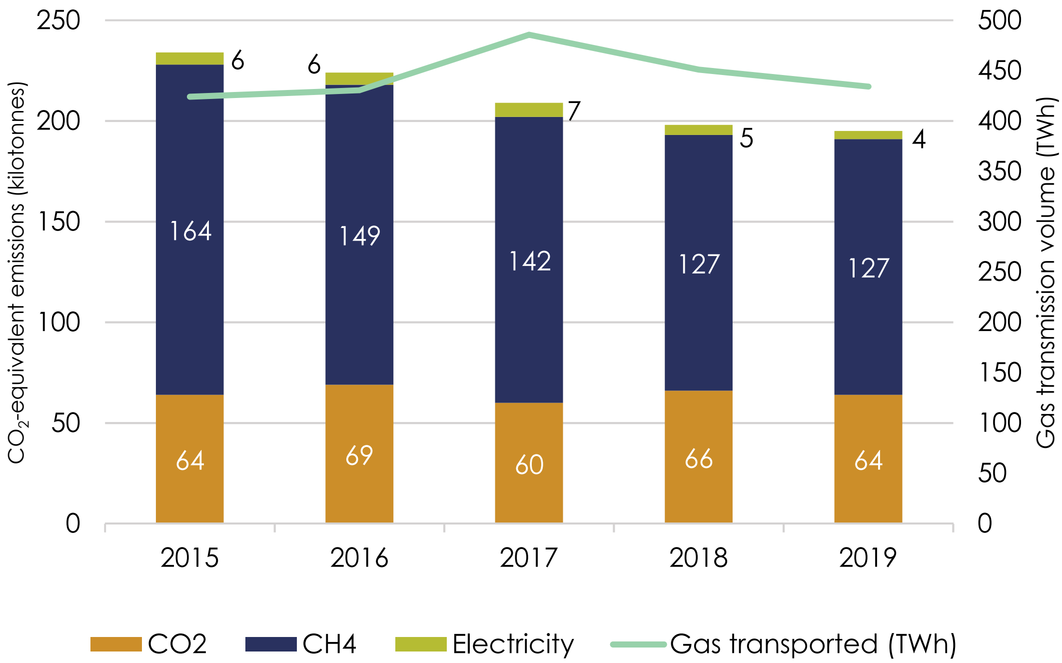
In 2019, Fluxys Belgium purchased green gas certificates from the intermunicipal company IOK Beerse, currently the only producer of biomethane in Belgium, to heat its head office and its buildings in Anderlecht.

Greenhouse gas emissions in 2019

The operation of gas infrastructure (including staff use of motor vehicles) releases direct emissions of carbon dioxide (CO_2) and methane (CH_4), and the company's electricity consumption is a source of indirect emissions.

Transmission

In 2019, greenhouse gas emissions per volume of natural gas transported increased by just over 2% from 2018. While transported volumes fell by almost 4%, methane emissions remained at much the same level. This is mainly due to higher methane emissions during work on the system (these were low in 2018), which could only be partially offset by other measures to mitigate methane losses.

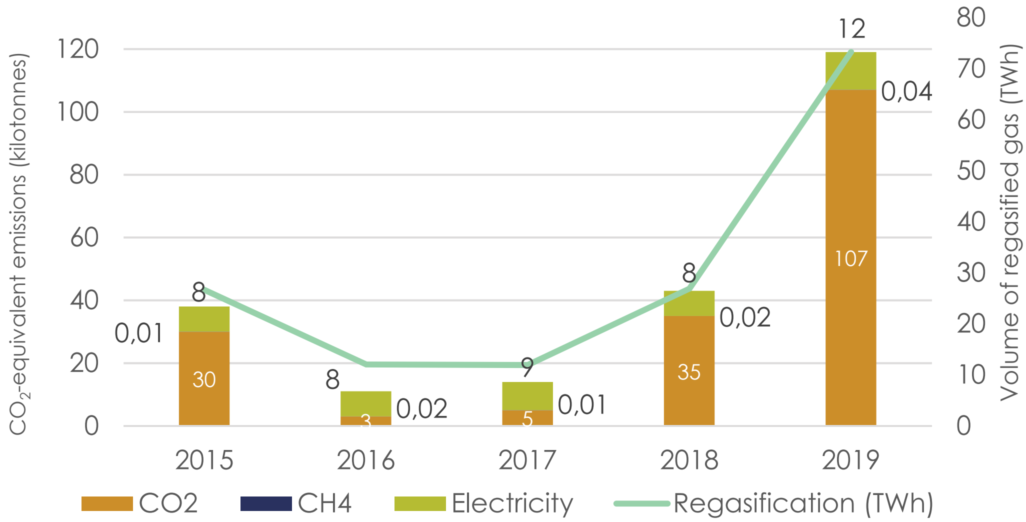


Transmission: greenhouse gas emissions

LNG terminalling

In 2019, greenhouse gas emissions from LNG terminalling activities were up on the previous year's levels owing to high levels of activity at the Zeebrugge LNG terminal. Conventional regasification plants were widely used, resulting in CO_2 emissions tripling.

Yet in 2019, almost 67,000 tonnes of CO_2 emissions were avoided by making as much use as possible of the Open Rack Vaporizer (ORV), which utilises heat from seawater to regasify LNG. However, the ORV does not have enough capacity to meet all heating needs if there is a high level of demand for regasification.



LNG terminalling: greenhouse gas emissions

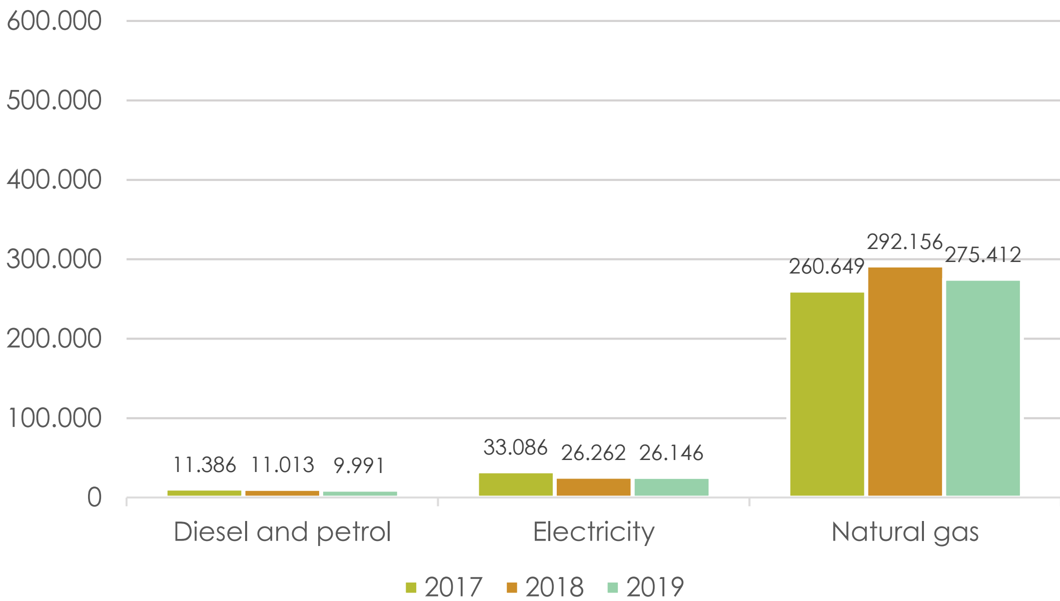
Study looking into a second ORV at the LNG terminal

A study is being undertaken to look into building a second ORV to further reduce CO_2 emissions at the LNG terminal when there are peaks in the demand for regasification. In addition, other possibilities are being explored to cut such emissions.

Energy efficiency

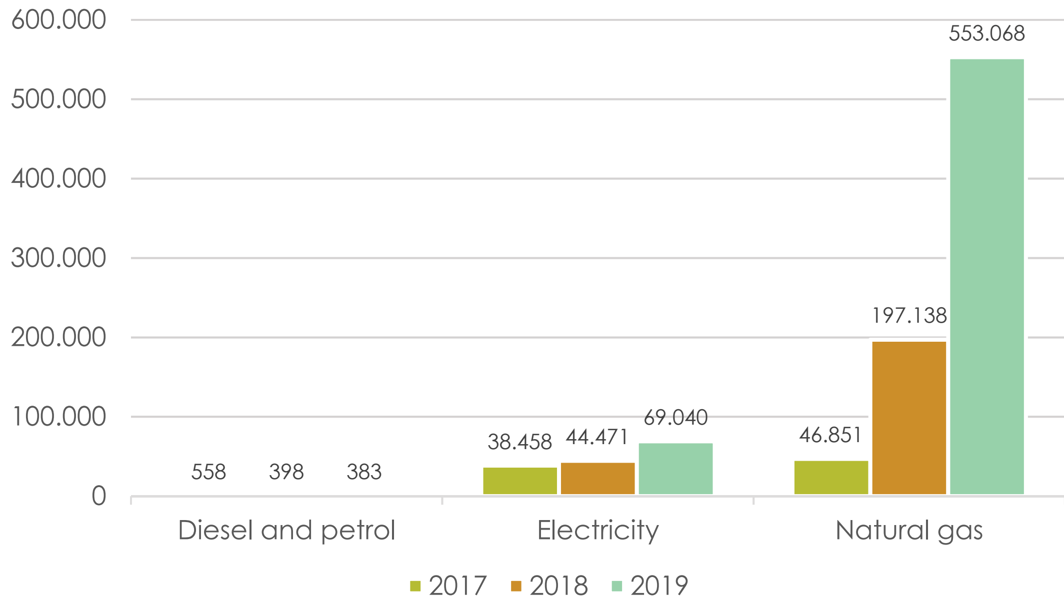
Fluxys Belgium's industrial processes and general operations require natural gas, electricity, diesel and petrol. In 2019, natural gas and electricity consumption were up on 2018 levels. This was mainly due to high levels of activity at the Zeebrugge LNG terminal, meaning that conventional regasification facilities and high-pressure electric pumps had to be used more intensively. By way of reminder, 2.5 MWh of primary energy is needed for every 1 MWh of electricity.

Transmission



Transmission: evolution of total energy consumption (MWh)

LNG terminalling



LNG terminalling: evolution of total energy consumption (MWh)

Other environmental measures

Reducing noise pollution

Fluxys Belgium uses a number of techniques to limit the noise generated by its pressure-reducing stations, compressor stations and other facilities.

When building new infrastructure, a lot of attention is paid to potential noise pollution from the design phase onwards.

Fluxys Belgium also takes targeted control measures to monitor its existing infrastructure for potential noise pollution and then makes the appropriate adjustments where noise levels produced by its infrastructure are not in keeping with the surroundings.

Conservation of ecosystems

Fluxys Belgium takes great pains to preserve ecosystems wherever it builds infrastructure. Environmental impact assessments gauge infrastructure's impact on ecosystems (see below). When installing a new pipeline, Fluxys Belgium always takes care to ensure that the environment is disturbed as little as possible, that the site can be fully restored to its original state once the work is complete, or that investments can be made in compensatory measures beneficial to nature.

Environmental impact assessments

Permit applications for the construction and operation of new facilities or for the renewal of the permit for existing facilities include assessments of their impact on the environment. Such environmental studies gauge a project's potential impact in various areas, including air, water and soil pollution, ambient noise, the production of waste, spatial integration, mobility, and the impact on biodiversity.

Preventive or mitigating measures are taken where necessary, such as:

- tailoring the working method to the surroundings (e.g. use of jacking or directional drilling) or minimising the work area;
- optimally integrating the surface infrastructure into the landscape;
- taking ecosystems into account when there is an intersection with a watercourse, more specifically by adjusting the soil profile to provide resting, feeding and spawning grounds for indigenous fish species.

In 2019, Fluxys Belgium conducted 23 environmental studies for its permit applications.

Wastewater treatment

All larger stations house a separate drain system and wastewater treatment plant (or reed bed filtration system).

Monitoring

In 2019, eight external environmental complaints were made to the environmental coordinator. Six of these concerned noise pollution, while two were about a gas smell.

Fluxys did not receive any fines or sanctions for failing to comply with environmental legislation or regulations. Four incidents that could have impacted the soil or water were reported to the authorities, and ad hoc measures were taken to address them.

Operational robustness

Fluxys Belgium, along with distribution system operators and the users of its infrastructure, is responsible for guaranteeing optimum continuity of gas flows to end users. Gas flows through Fluxys Belgium infrastructure are not just destined for Belgium – thanks to the Belgian gas network's role as a crossroads, a lot of these flows also find their way onto the vast Western European market.

Against this backdrop, Fluxys Belgium makes every effort to avoid unplanned capacity interruptions. We are also making the necessary investments at the right time to keep existing infrastructure in good condition and build new infrastructure in line with the development of market demand.

Competitive tariffs are also paramount to Fluxys Belgium's customers and are consequently a deciding factor when it comes to the company's competitiveness.

Optimum availability of capacity

Firm capacity

At no point in 2019 was Fluxys Belgium required to initiate an unplanned reduction or interruption of firm capacity at the interconnection points at the borders or at the domestic exit points for distribution, industry or power plants.

Fluxys Belgium strives to avoid any unplanned reduction or interruption of firm capacity.

Interruptible capacity

At no point in 2019 was Fluxys Belgium required to reduce or interrupt interruptible capacity at the interconnection points at the borders or at the domestic exit points for distribution or industry.

Fluxys Belgium strives to limit the reduction or interruption of interruptible capacity to 5%.

Reduction in transmission tariffs for 2020-2023

In May 2019, Belgian federal energy regulator CREG approved Fluxys Belgium's transmission tariff proposals for the regulatory period 2020-2023. In line with the new tariff methodology established in consultation with CREG and the market players, the new transmission tariffs for an average Belgian consumer are around 5% lower than the indexed tariffs for 2019. The tariff decrease does not affect Fluxys Belgium's net profit and is a result of the company's sustained efficiency drive, lower interest rates and the restitution of past regulatory balances.

Sales of transmission capacity: Further shift to short-term market

Network users optimise capacity portfolio

Capacity sales on the European natural gas transmission market have been under pressure for a number of years now. Network users are increasingly optimising their capacity portfolio, calculating as precisely as possible the volumes to be contracted based on the exact capacity they estimate they will need to supply to their customers.

Shift from long term to short term

The trend towards increased optimisation of capacity portfolios also means that the practice of long-term capacity bookings is making way for more and more short-term capacity bookings. As such, suppliers are increasingly buying their natural gas on a short-term basis on gas trading points, which in turn leads to more short-term capacity contracts.

The shift towards short-term contracts is fuelled further by the harmonised European rules on network usage. When long-term contracts expire, for example, the capacity released must be sold at auction. As there is certainly ample capacity available in North-West Europe, network users have an incentive to only buy short-term capacity.

Challenge for transmission system operators

Long-term contracts give transmission system operators the prospect of stable revenue in the long term regardless of the utilisation rate of the infrastructure. The more short-term capacity is sold, the more revenue will fluctuate with actual capacity use, which is variable. The latter depends on, among other things, network users' purchasing strategy and on final consumption, which is largely governed by temperature fluctuations. For example, the supply of increased volumes of LNG to Zeebrugge in 2019 was a chance for Fluxys Belgium's sales team to sell more transmission capacity in the short term, but such opportunities do not arise if the market configuration is not appropriate.

This shift towards revenues that mirror the variable nature of actual capacity use poses a real challenge to operators of regulated infrastructure, as the cost basis remains the same regardless of how much capacity is used.

The shift to a short-term market not only calls for a different commercial approach that responds to the new market context; it also requires far-reaching changes in terms of the management and digitalisation of transactions: the management of a limited number of long-term contracts for large volumes is giving way to the management of large numbers of transactions for smaller capacity volumes.

Launch of virtual interconnection point between Belgium and Germany

The Belgium-NCG virtual interconnection point (VIP) was launched at the end of 2019 for the Eynatten 2 interconnection between Belgium and Germany. The introduction of virtual interconnection points is one of the provisions of the European Network Code on Capacity Allocation Mechanisms. They give grid users the chance to purchase, at a single location, available capacity to transport natural gas between two markets.

The Belgium-NCG VIP enables users to buy any type of capacities between the Belgian gas trading place ZTP and its German counterpart NCG. Capacity on the Belgian side comes from Fluxys Belgium, while on the German side it is provided by transmission system operators Fluxys TENP, OGE and Thyssengas. The new virtual interconnection point is managed by OGE.

Network users in Belgium will hardly notice any difference. The Belgium-NCG VIP mainly simplifies matters for German network users, who can now buy capacity at a single location rather than from three operators.

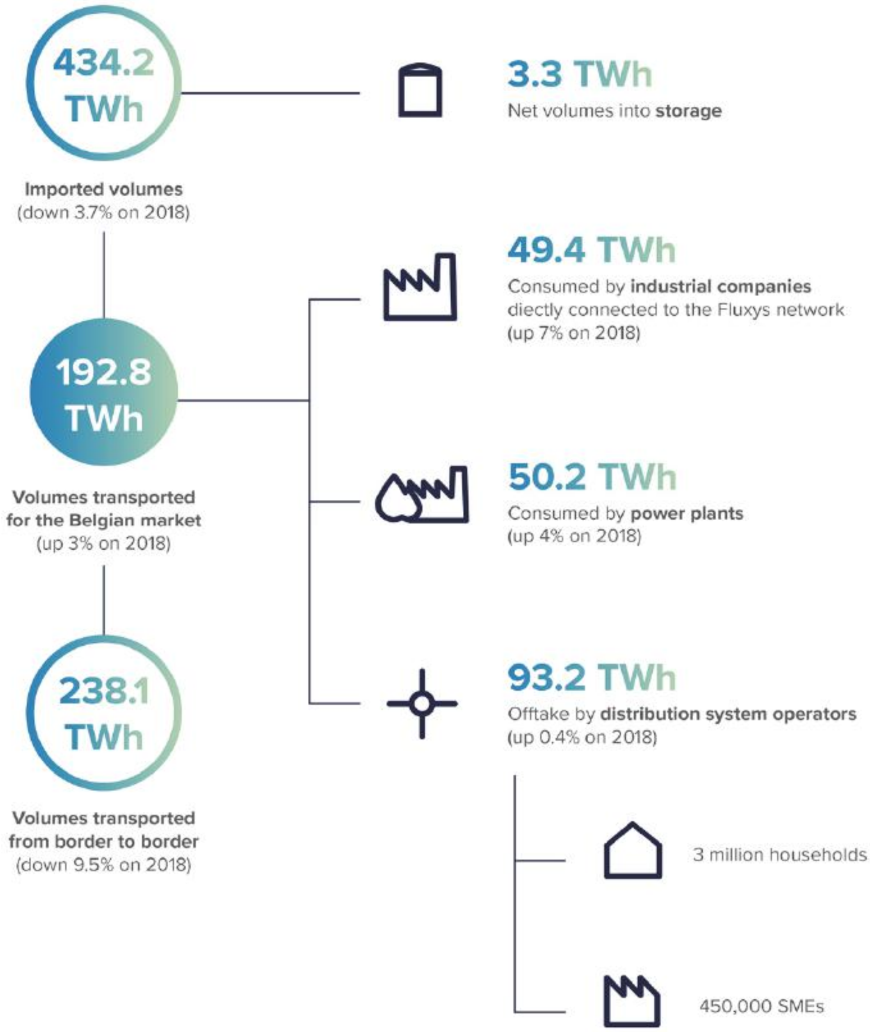
Drop in border-to-border transmission volumes

In 2019, transmission volumes fell by almost 4% from 2018. This was a result of lower border-to-border volumes, with the decline in flows to the United Kingdom being only partially offset by the increase in flows to the Netherlands and France.

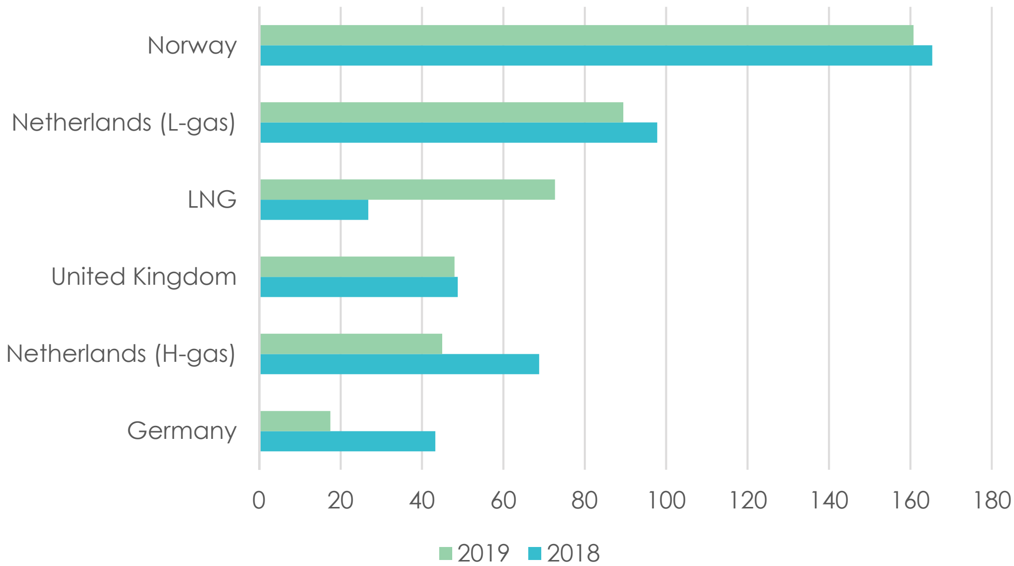
Rise in transmission volumes for the Belgian market

Natural gas transmission volumes for Belgian market consumption were up almost 3% on 2018, from 187 to 193 TWh.

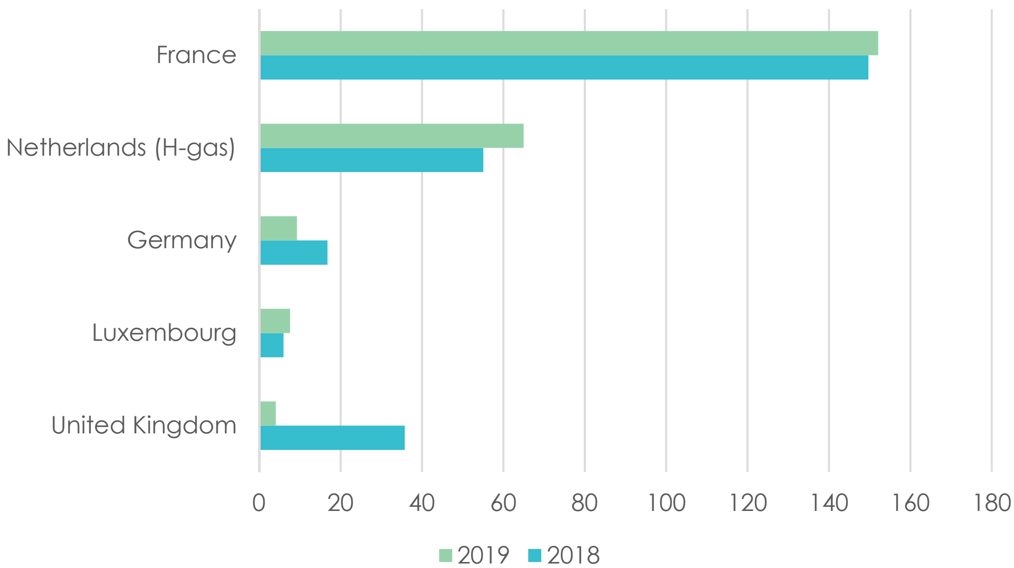
- Transmission to distribution system operators saw a slight increase of 0.4%, despite the somewhat milder temperatures.
- Offtake by directly connected industrial companies rose by over 7%.
- There was an approximately 4% increase in transmission volumes for natural gas-fired power plants.


434.2 TWh
Imported volumes
(down 3.7% on 2018)
3.3 TWh
Net volumes into **storage**
192.8 TWh
Volumes transported for the Belgian market
(up 3% on 2018)
49.4 TWh
Consumed by **industrial companies** diectly connected to the Fluxys network
(up 7% on 2018)
50.2 TWh
Consumed by **power plants**
(up 4% on 2018)
238.1 TWh
Volumes transported from border to border
(down 9.5% on 2018)
93.2 TWh
Offtake by **distribution system operators**
(up 0.4% on 2018)
3 million households
450,000 SMEs

Imported and exported volumes



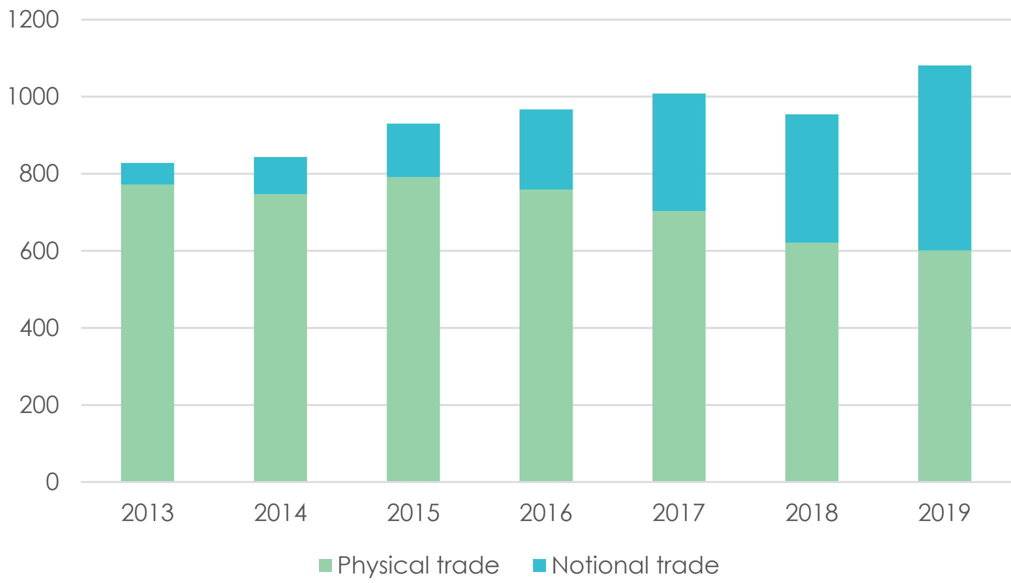
Imported volumes (TWh)



Exported volumes (TWh)

Belgian notional gas trading is gaining ground again

In 2019, volumes traded on Belgium's gas trading point ZTP increased by approximately 13% to 1,081 TWh. While there was only a slight increase in volumes in physical trading, notional trade shot up by 45%.



Volumes traded on Belgium's ZTP gas trading place (TWh)

Storage: strong sales in a volatile market

Storage activities in Europe have been under pressure for a number of years now due to a high level of volatility in price differentials between summer and winter on gas trading points. Against this backdrop, new market models involving a support mechanism have been developed in neighbouring countries, competing directly with sales of storage capacity at Loenhout.

In all, 60% of capacity at the Loenhout storage site is booked under long-term contracts. In the face of the difficult market context of low price differentials between summer and winter on the gas trading points, Fluxys Belgium offered alternative annual products in 2019 and managed to sell almost all remaining capacity for the storage season 2019-2020. In early 2020, during a brief period of greater price differentials between summer and winter gas, all remaining capacity for the storage season 2020-2021 was sold, as was most of the remaining capacity for the storage season 2021-2022.

Zeebrugge LNG terminal breaks records

2019 was a particularly busy year for marine traffic at the Zeebrugge LNG terminal. A total of 130 vessels docked at the terminal, shattering the previous record of 82 in 2009. Compared with 2018, more than twice as many carriers came to unload LNG, and the amount of natural gas injected by the terminal into the network was almost three times higher. The number of LNG transhipment operations doubled.

New long-term contract for unloading LNG carriers

At the Zeebrugge LNG terminal, terminal users have long-term contracts in place for the unloading of 110 large LNG carriers per year. In September 2019, Qatar Terminal Limited booked all available unloading slots on a long-term basis as the current contracts expire.

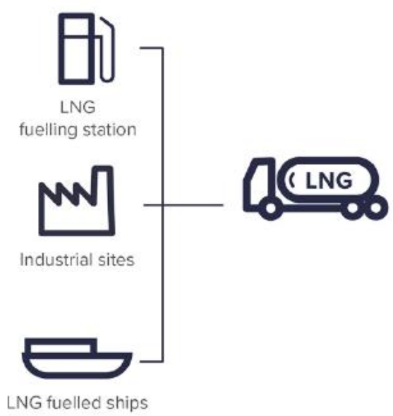
The agreement with that company runs until 2044 with the option to terminate it early at the end of 2039 under certain conditions. It is the result of a subscription window held in the first half of the year for all interested market parties. In late June, the Belgian federal energy regulator, the Commission for Electricity and Gas Regulation (CREG), approved the relevant tariff proposal and the draft LNG Services Agreement.

71
LNG carriers unloaded (33 in 2018)
= **74.5 TWh LNG**

38
ships for transshipment operations between two vessels (18 in 2018)
= **19.6 TWh LNG**

21
LNG carriers loaded
(of which 20 small vessels)
= **1.3 TWh LNG**

72.7 TWh
regasified and transported into the Fluxys Belgium network
(26.8 TWh in 2018)



2,620
trailers loaded with LNG (1,453 in 2018)
= **0.7 TWh**

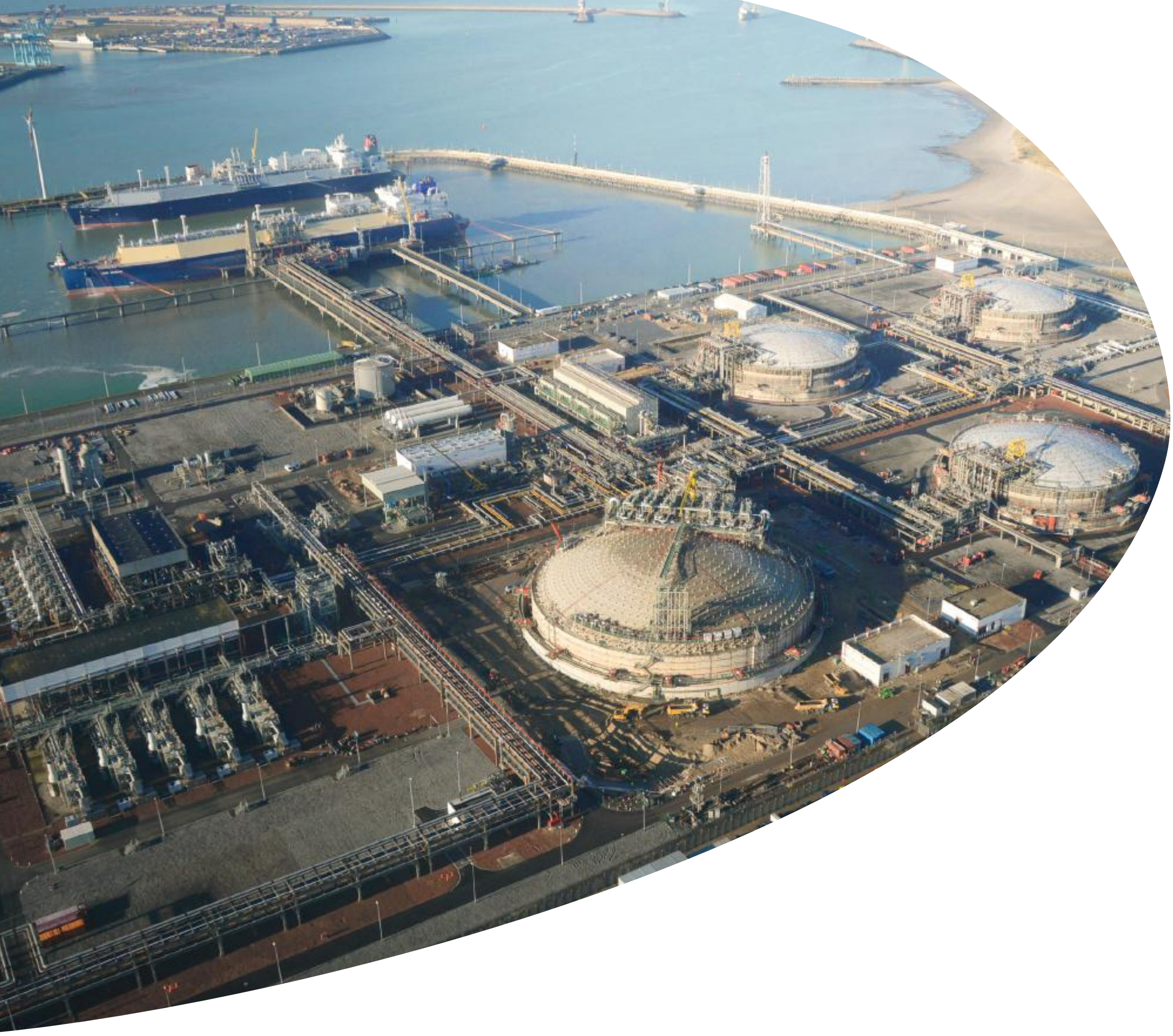
This new contract makes a major contribution to securing the long-term future of the Zeebrugge terminal and further strengthens its position as a versatile LNG gateway into Europe offering customers optimum destination flexibility. The terminal offers not only ample pipeline transmission capacity for delivery throughout North-West Europe but also a wide range of options for downstream small-scale LNG distribution.

Launch of long-term transhipment contract: up to 214 additional LNG carriers per year

In December 2019, the LNG terminal loaded the vessel Yenisei River with LNG from the fifth LNG storage tank, which had just been commissioned. This loading operation marked the start of the long-term transhipment contract signed with Yamal Trade in 2015.

The new fifth LNG storage tank and its associated process facilities allow transhipments between ice-class LNG vessels from the Yamal production terminal and conventional LNG carriers without the two having to be docked simultaneously.

Under the 20-year contract with Yamal Trade, up to 8 million tonnes of LNG can be transhipped at the Zeebrugge terminal annually. This could mean additional traffic of 214 LNG carriers per year. Ahead of the new capacity becoming available in December, the terminal had already performed an array of direct transhipments between two simultaneously docked ships, starting in May 2018.



Small-scale LNG: almost 1,200 more LNG trailers loaded

In addition to the terminalling of large volumes of LNG, the Zeebrugge LNG terminal is diversifying its offer with a view to capitalising on the new market for small-scale LNG. This means concretely that small LNG carriers and LNG trailers can come load LNG at the terminal. Other LNG terminals in the wider region are also developing services for small-scale LNG.

Despite this increased competition, traffic for the loading of small LNG carriers in 2019 remained at the same level as in 2018, while almost 1,200 more LNG trailers were loaded.

Conversion from low-calorific to high-calorific natural gas

Depletion of low-calorific natural gas sources

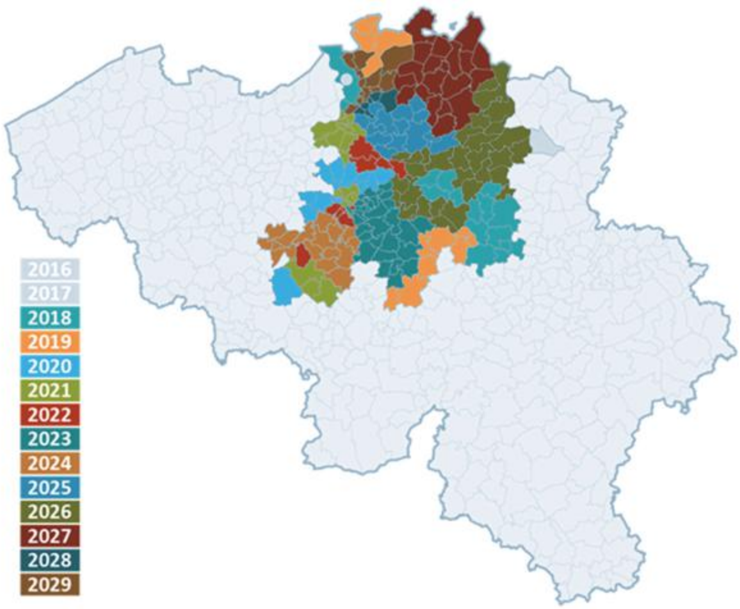
The reduction in production at the Groningen gas field (which produces low-calorific natural gas, otherwise known as L-gas) has prompted the Netherlands to gradually phase out the export of L-gas from this field to Germany (between 2020 and 2030) and to Belgium and France (between 2024 and 2030). Taking into account the earthquakes in the area of the Groningen gas field, production has increasingly been capped since 2014.

Belgium currently imports around 46 TWh of L-gas per year for domestic consumption. The Belgian network also acts as a corridor for conveying L-gas to France. Gas from Groningen accounts for almost a quarter of the supply in Belgium as a whole and approximately half of natural gas consumed by households and SMEs.

As L-gas exports from the Netherlands decline, the networks in Belgium, France and Germany must be adapted to enable a gradual switch from L-gas to high-calorific natural gas (H-gas) from other sources.

Conversion started

At the request of the Belgian government, Synergrid (the federation of electricity and natural gas transmission and distribution system operators in Belgium) has drawn up an indicative conversion schedule.



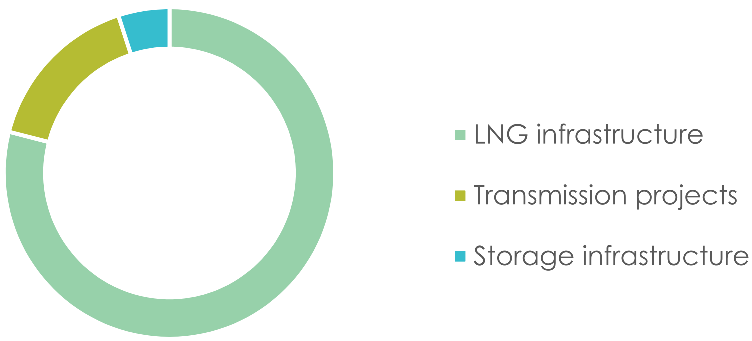
Synergrid: indicative conversion schedule

This schedule is based on the principle of reusing the existing L-gas infrastructure as much as possible. Fluxys Belgium has also incorporated this plan into its 10-year indicative investment plan (see page 93).

Further to multiple small-scale conversion projects implemented over the 2016-2017 period, larger-scale conversions took place in 2018 and 2019. In 2019, Fluxys Belgium adapted its network with a view to converting an industrial consumer with a direct connection, as well as for distribution system operators Fluvius and ORES in the Antwerp and Gembloux areas. These in turn have converted around 35,000 households and SMEs. Fluxys Belgium and the distribution system operators are also ready to continue the conversion as scheduled, with completion planned for 2029.

€91.3 million in infrastructure investments

Fluxys Belgium invested €91.3 million in infrastructure projects in 2019. Of this total, €14.4 million was spent on transmission projects, €4.5 million on storage infrastructure and €72.4 million on LNG infrastructure projects (mainly the construction of a fifth tank at the Zeebrugge LNG terminal).



Fifth LNG storage tank and associated process facilities commissioned successfully

The Zeebrugge LNG terminal built a fifth LNG storage tank with the capacity to hold 180,000 m^3 of LNG and associated process facilities as part of the long-term contract with Yamal Trade (see page 86).

Work on building the new facilities started in mid-2015, and by early December 2019 they were ready for test operations, which were successfully completed. With a load flow of more than 12,500 m^3 of LNG per hour from a single storage tank, the newly commissioned facilities put in a world-class performance.

Pipeline between Kraainem and Haren

In 2019, Fluxys Belgium laid a new, 7-km natural gas pipeline between Kraainem and Haren and built a pressure-reducing station in Kraainem. These two installations, which were commissioned in autumn 2019, are necessary to boost the distribution systems in the Brussels-Capital Region and Flemish Brabant and cope with the anticipated increase in natural gas consumption by households and SMEs.

Pipeline between Maarkedal and Ronse

In summer 2019, Fluxys Belgium started constructing a 7-km natural gas pipeline between Maarkedal and Ronse and building a pressure-reducing station in Ronse. These installations, which are due to be commissioned in summer 2020, are being built as part of a restructuring and upgrading programme for the Fluxys Belgium network to maintain efficient supply of natural gas for the Flobecq and Ronse areas.

Zwijndrecht and Linkeroever

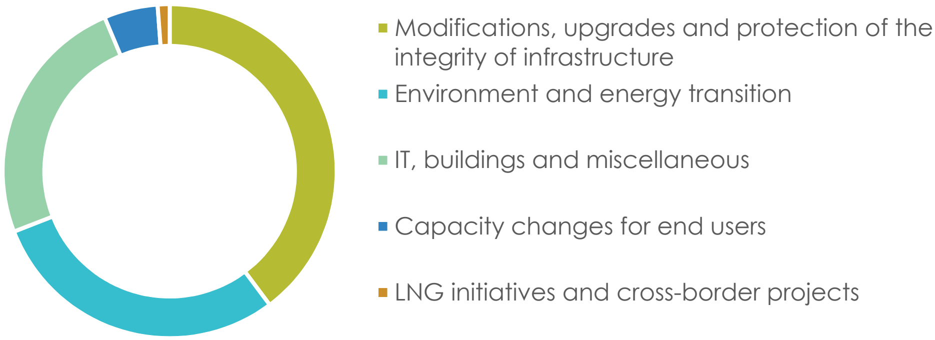
Some of the Fluxys Belgium natural gas pipelines in Zwijndrecht and Linkeroever are located on the site of the Oosterweel Link project, which aims to complete the Antwerp Ring so that it entirely surrounds the city. In order to be able to decommission these pipelines, new, 5.5-km pipelines were laid outside the Oosterweel site and commissioned in summer 2019.

New industrial connection and pressure-reducing stations

In 2019, Fluxys Belgium commissioned a new industrial connection for Prayon in Puurs. New pressure-reducing stations were also commissioned for the distribution system operators in Dendermonde, Ivoz-Ramet, Kalmthout, Kraainem and Overijse (Maleizen).

2020-2029 indicative investment programme: €518 million

Every year, Fluxys Belgium updates its ten-year indicative investment programme for its three core activities: the transmission and storage of natural gas, and LNG terminalling. The company plans to invest €518 million over the 2020-2029 period.



Modifications, upgrades and protection of the integrity of infrastructure

This investment category relates to upgrading and modifying existing infrastructure to ensure its safe operation. Such projects include modifications to gradually convert the network from L-gas to H-gas.

Environment and energy transition

This covers planned investments to reduce the environmental impact of the operations of Fluxys Belgium and Fluxys LNG. It also includes projects relating to changes to the network to ensure it is ready to transport the energy of the future, namely carbon-neutral gases such as hydrogen.

IT, buildings and miscellaneous

This includes investments in the development of new gas-flow management and marketing applications, in the digital development of our activities and in buildings and equipment.

Capacity changes for end users

This category mainly covers work on adjusting and coordinating capacity for distribution system operators and connecting new industrial customers. This group of projects also encompasses network upgrades to supply new power plants. The existing network generally has enough capacity to cover the offtake of new power plants in light of the nuclear phase-out in 2025. However, depending on their exact location, regional network upgrades may be required.

LNG initiatives and cross-border projects

Now that work on constructing the fifth tank and associated process facilities at the Zeebrugge LNG terminal has been completed, the amounts in this category mainly relate to the potential capacity expansion of the Eynatten interconnection point in connection with the construction of the Zeelink pipeline in Germany.

Research and development

Applied research

Fluxys Belgium handles applied-research projects on its own or in collaboration with the higher-education sector or other companies of the Fluxys group. We also work with the Belgian gas association gas.be and other European companies under the umbrella of various national and international organisations:

- the Pipeline Operators Forum (POF);
- the European Gas Research Group (GERG);
- the European Committee for Standardisation (CEN);
- the European Pipeline Research Group (EPRG);
- the International Organisation for Standardisation (ISO);
- the European Association for the Streamlining of Energy Exchange – gas (EASEE-gas);
- Marcogaz, the Technical Association of the European Natural Gas Industry.

Energy transition

Fluxys Belgium and parent company Fluxys aim to play a leading role in the transmission of the energy carriers of the future. Various research initiatives are in progress in this context.

Biomethane

To support the biomethane market in Belgium, Fluxys Belgium helped set up a certification system that consumers have been able to use to buy green gas since 2018 (see also page 61). Currently, the possibility is being explored to establish an international system of guarantees of origin, with a view to importing biomethane into Belgium.

Hydrogen

Fluxys Belgium is participating in various working groups examining which percentage of hydrogen could be injected into existing gas networks without the need for modifications. Within the wider Fluxys group, through a number of projects with various partners, exploratory research is also being conducted into the modalities for the import and cross-border transport of hydrogen (see also page 63).

Power-to-gas

Fluxys Belgium has two complementary research projects on power-to-gas with the Vlerick Business School and the University of Liège. The research with the University of Liège explores the potential of power-to-gas in Belgium and how to invest optimally in energy networks. The study with Vlerick Business School examines the economic interactions between power-to-gas and the electricity market.

Within the wider Fluxys group, a feasibility study was conducted in 2019 with Eoly (part of the Colruyt Group) and Parkwind regarding the development of an industrial power-to-gas installation (see also page 63). The study was completed in early 2020.

CO_2 capture, reutilisation and storage

In collaboration between the wider Fluxys group and the Port of Antwerp, a preliminary study on capturing CO_2 emissions produced by port industry for reutilisation or storage was completed in 2019. As a follow-up to this, a feasibility study was initiated with various partners on the infrastructure required for establishing an CO_2 chain (see also page 64).

Integration of innovative gas technologies

Fluxys Belgium is looking into the possibility of integrating efficient gas technologies, such as combined heat and power (CHP) and heat pumps, into its buildings and facilities. In 2019, two fuel cells were installed at the border metering station in Raeren. The fuel cells simultaneously meet the heat demand and part of the electricity needs of the station.

Projects to further improve network operation and integrity

Network integrity research

Fluxys Belgium runs various projects to improve knowledge of pipeline integrity and the methods used to safeguard it. It is working with the academic community on research focusing on gaining a better understanding of and better managing the impact of stray currents on steel pipes. New technological solutions are also being examined, such as inspection with ultrasonic gas sensors.

Use of drones

Fluxys Belgium wants to deploy progressively more drones in its range of means for operating the transport network. They can be used, among other things, to check the condition of overhead lines that are difficult to access. They can also shoot images to reproduce our installations identically in 3D in our ICT systems enabling visualisation as on site.

Internet of Things (IoT)

Fluxys Belgium is exploring the possibilities of IoT technology to optimise the operational management and maintenance of its network. Among other things, IoT paves the way for predictive maintenance of the installations instead of an approach based on fixed periodicals.

Constructing and operating safe infrastructure

As a socially responsible operator, Fluxys Belgium ensures the building of a secure infrastructure and its safe operation. The route of a pipeline or the location of an above-ground station is carefully chosen in close consultation with the local and regional authorities.

Through an open dialogue, Fluxys Belgium aims to establish good relations with all those affected by the construction and operation of our facilities. The company also ensures that the construction and operation of its infrastructure cause as little nuisance as possible.

Safety management system

In line with safety regulations, Fluxys Belgium uses a safety management system for its storage and transport infrastructure. This system passed an interim audit in 2019 (see also 'Industrial risks' on page 160).

Careful construction

For any construction project, Fluxys Belgium only works with qualified and certified contractors. Moreover, the Project Management, Supervision & Interventions and Cathodic Protection entities at Fluxys Belgium are SCC-certified. SCC certification entails a checklist covering health, safety and the environment. Obtaining this certification is a label of quality and reliability for Belgian companies.

Before any facility is commissioned, a series of tests is carried out under the supervision of an authorised inspection agency, including a leak test and a mechanical strength test. The condition of the pipes will then be regularly checked as part of an inspection programme. The pipes are also fitted with a cathodic protection system to prevent corrosion.

Providing information and raising awareness about works in the vicinity of our infrastructure

Damage to natural gas transmission pipelines is often caused by works carried out by third parties in the vicinity of our infrastructure (see 'Industrial risks' on page 160). As a result, anyone wishing to carry out work close to our pipelines is legally required to inform Fluxys Belgium of this in advance.

Identifying unreported works

However, not all works are reported or safety regulations are not always followed. To detect such works, Fluxys runs frequent patrols from its regional operation centres (see 'Industrial risks' on page 160).

2019: No damage by third parties causing any impact

Thanks to the care taken by Fluxys Belgium employees, in 2019 there was no damage caused by third parties that involved any gas escaping or capacity being interrupted.

Notifying works easily

Fluxys Belgium is also committed to initiatives making it as easy as possible to notify works. In recent years, compliance with the statutory notification requirement has been made much easier with the arrival of online portals, with Fluxys Belgium serving as one of the driving forces behind the Federal Cable and Pipeline Information Database (KLIM-CICC) since 2006. In 2019, Fluxys Belgium received some 43,600 works notifications, 93% of which were made via the KLIP (Flemish Region) and KLIM-CICC portals (Brussels-Capital Region and Walloon Region).

The KLIM-CICC portal can also be used for other purposes than reporting works. For example, in 2019, Fluxys Belgium organised a webinar in collaboration with the Flemish federation of notaries to encourage notaries to use the KLIM-CICC portal to collect information about underground infrastructure.

Information programmes

Fluxys Belgium runs a range of programmes to provide information and raise awareness about how to work safely in the vicinity of its infrastructure. The programmes focus on everyone involved in such works, such as architects, building managers, designers, contractors, owners and operators, municipalities, notaries and emergency services. Fluxys Belgium regularly issues reminders to all owners and operators of land where Fluxys infrastructure is located, so for example in 2019, Fluxys Belgium sent out 14,000 such communications. The company also holds an information session for municipalities, as well as police forces and emergency services, at least once every legislative period.

Moreover, Fluxys Belgium participates in various working groups and federations such as the federation of Belgian pipeline companies Fetrapi, the Flemish Council of Network Operators, the Brussels Council of Network Operators and the Utility Operators' Select Working Group. Working safely close to underground infrastructure is a priority subject for these working groups and federations.

Focus of our awareness campaigns

In 2019, Fluxys Belgium continued its awareness campaign aimed at contractors and clients performing poorly in terms of reporting works in advance. In this context, we visited various contractors and utility companies. Targeted awareness-raising for agricultural and horticultural workers also continued, including through direct contact with these individuals, the publication of articles in trade journals and recurring broadcasts of a report about this on PlattelandsTV.

Site meetings

Fluxys Belgium staff attend preparatory meetings on a daily basis with regard to sites where third parties plan to work in the vicinity of natural gas transmission infrastructure. During these meetings, staff explain the safety measures to be taken.

Safe and consistent digging methods in the vicinity of Fluxys infrastructure

Fluxys Belgium has teamed up with the regional employment services VDAB and Forem to develop a training course for those involved in excavation works. This programme has been accredited by the Fund for Vocational Training in the Construction Sector and the excavation method it sets out is now recommended by all pipeline operators in Belgium, thereby simplifying matters considerably for contractors. Fluxys Belgium has also worked with Air Liquide to develop a training course on the cladding of steel pipelines.

Provision of pipeline maps and data

Every five years, Fluxys Belgium provides municipalities, emergency services and local police forces with a full overview of all Fluxys Belgium pipelines in their area. If new pipelines are commissioned or existing pipelines are moved during that period, updated maps are automatically sent out.

Fluxys Belgium has also recorded data on its pipelines in databases that are constantly being updated and are made available to, among others, the Home Affairs FPS Crisis Centre, emergency services, and Communication and Information Centres (CICs) or emergency centres that centralise all requests for police interventions.

All ready 24 hours a day

A dispatching office is to natural gas transmission what an air traffic control tower is to an airport. Fluxys Belgium dispatchers in the dispatching office control and monitor natural gas flows across the network 24 hours a day. The dispatching office also has a coordinating role when a gas smell, an incident or an accident is reported. At both Fluxys head office and the regional operation centres, staff are ready 24 hours a day to take immediate action if an incident occurs.

A crisis team can also be rapidly deployed in an emergency. Fluxys Belgium regularly organises emergency-plan drills to ensure the team's responsiveness. Drills are also organised every year in cooperation with the public emergency services to exchange expertise and test emergency plans. As such, over the course of 2019, drills were held with the Centre (East Flanders), Fluvia (West Flanders) and municipality of Herent emergency-service zones, alongside Fluxys Belgium's internal drills (see 'Industrial risks' on page 160).

Good neighbourly relations

At Fluxys Belgium, we are proud to provide almost a third of the energy consumed by homes and businesses in Belgium. We do this with infrastructures spread across almost 400 towns, cities and municipalities, so it is only natural that we want to establish good neighbourly relations.

The pillars of our approach to these relations are transparent communication, dialogue and a willingness to listen.

Open dialogue with residents

Personal point of contact

Owners and operators of land have a designated point of contact at Fluxys Belgium, right from a project's preliminary phase through to the restoration of a site following construction or operation works. This allows them to consult with someone familiar with their concerns and the features of their land from the outset. These points of contact are part of a specific team that has the special task of understanding the interests of landowners and operators and defending them vis-à-vis Fluxys Belgium.

New infrastructure: securing consensus with our neighbours

Transparent communication from the project phase onwards

For new infrastructure projects, Fluxys Belgium aims to transparently provide information and communicate with the relevant authorities, municipalities, , local residents and other parties involved from the planning phase on. In 2019, we visited many municipalities and other authorities in connection with our plans to construct new facilities.

Information sessions

As regards permit applications for major infrastructure projects, Fluxys Belgium suggests to municipalities that an information evening be held for local residents before the permit procedures get under way. This gives residents the chance to discuss the project and its impact with us and enables us to take on board any feedback at the start of the project.

In the public consultation stage too, Fluxys Belgium contacts municipalities to suggest organising an information session so that local residents can again ask any questions they might have about the project.

Agreements concerning agriculture, horticulture, forest management and hunting

Fluxys Belgium builds the vast majority of its facilities (pipelines and surface stations) in areas used for agriculture, horticulture or forest management. Good neighbourly relations are crucial between Fluxys Belgium and the owners and operators of land where we have facilities, or land located in the vicinity of our facilities.

With this in mind, Fluxys Belgium has signed agreements with the country's three largest agricultural organisations (the Boerenbond, the Algemeen Boerensyndicaat and the Fédération Wallonne de l'Agriculture), Hubertus (the Flemish hunting association), Landelijk Vlaanderen and Nature, Terres et Forêts.

These agreements set out the compensation due to those in the agriculture, horticulture or forest-management industries who experience disruption or are temporarily unable to use their land during the construction of a facility. If problems occur after the work, Fluxys Belgium deals with any reported issues on a case-by-case basis.

2019: Meetings with mayors

In 2019, Fluxys Belgium organised an information session to which it invited all the mayors of towns, cities and municipalities where Fluxys has infrastructure. This gave us an opportunity to run through various best practices with the local authorities, such as the procedures to follow if work is to be carried out in the vicinity of our infrastructure or if an emergency plan has to be rolled out.

It also gave us a chance to examine together how gas and gas infrastructure can help local authorities, households and businesses move towards carbon neutrality and better air quality.

Working with adapted work enterprises

For a few years now, a number of Fluxys Belgium regional operation centres have been working with adapted work enterprises. These are given straightforward, repetitive tasks such as mowing around marking along roads and watercourses. In 2019, five contracts, mainly covering maintenance of green spaces, were signed with such organisations.

Team-building events: commitment to charity

Fluxys Belgium encourages its employees to organise team-building events with the twin objectives of boosting team spirit and contributing to the community. In 2019, 27 teams engaged in initiatives for charity, thereby contributing to social causes, sport and nature.

Financial strength

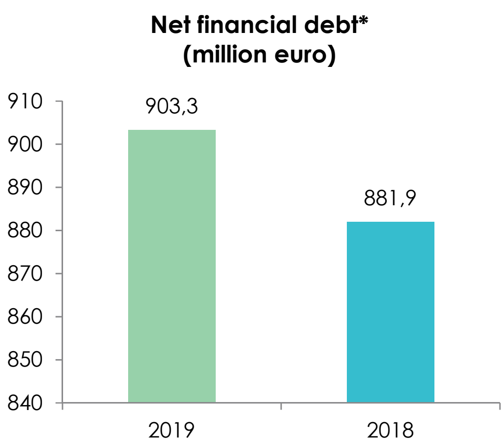
Most of Fluxys Belgium's activities are regulated. The return on these activities is determined by a number of regulatory parameters, primarily the capital invested, the authorised return and the difference in manageable costs. Therefore, management strives for a financial structure that is as close as possible to the regulatory optimum and works to manage its operating costs to be able to benefit from stimuli.

Fluxys Belgium endeavours to lock in as much as possible the current low-interest rate conditions in the long term and maintains a financing policy geared towards securing a healthy credit rating with regard to the ratio between equity and borrowed capital and a sound diversification between bank loans and bonds. This policy has enabled the company to fund its investments under favourable conditions and helped to maintain competitive tariffs.

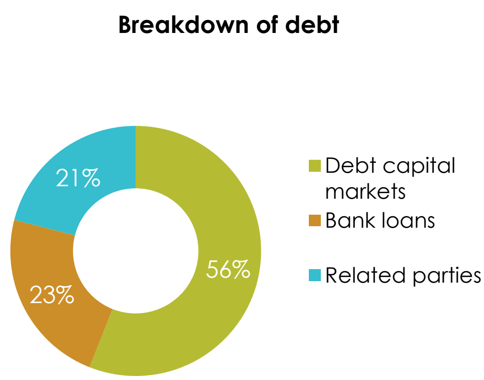
Financial ratios

Financial ratios	2019	2018
Solvency Ratio of (i) net financial debt and (ii) the sum of equity and net financial debt	58%	56%
Interest coverage Ratio of (i) the sum of FFO* and interest expenses and (ii) interest expenses	6,58	7,1
Net financial debt/extended RAB* Ratio of (i) net financial debt and (ii) extended RAB	29%	28%
FFO*/net financial debt Ratio of (i) FFO and (ii) net financial debt	22%	28%
RCF*/net financial debt Ratio of (i) RCF and (ii) net financial debt	12%	18%

* See glossary on page 368.

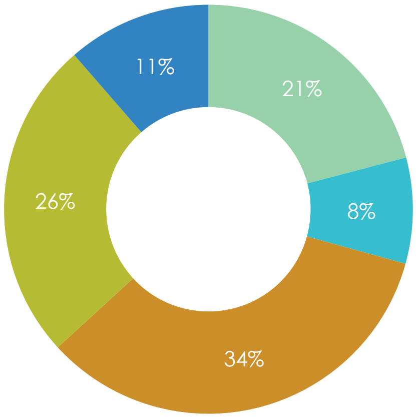


* Excluding regulatory debt



The weighted average maturity as at 31 December 2019 was 11.3 years.

Creating prosperity



Contribution to prosperity*:
€423.1 million

Dividend | Interesten | Suppliers | Personeel | Belastingen

Fluxys Belgium creates prosperity by contributing to the economic growth of the society and environment it is operating in. This creation of prosperity is measured as added value that the company generates and distributes among its stakeholders.

The added value generated by continuing company activities in 2019 amounted to €423.1 million, down €18.4 million compared with 2018.

* See glossary on page 368.

Key financial data

Income statement	(in thousands of €)	31/12/2019	31/12/2018
Operating revenue		530,995	503,246
EBITDA*		297,337	278,382
EBIT*		134,841	120,601
Net profit		69,498	54,469
Balance sheet	**(in thousands of €)**	**31/12/2019**	**31/12/2018**
Investments in property, plant and equipment over the period		91,282	78,139
Total property, plant and equipment		2,129,400	2,181,771
Equity		662,677	687,156
Net financial debt*		903,339	881,932
Total consolidated balance sheet		2,867,575	2,914,902

* See glossary on page 368.

Increase in turnover and net profit

The Fluxys Belgium group generated turnover of €531.0 million in 2019. This represents an increase of €27.8 million compared with 2018, when turnover stood at €503.2 million. Net profit rose from €54.5 million in 2018 to €69.5 million in 2019, an increase of €15.0 million. The change in regulated turnover and net profit is mainly due to the evolutiion of the different components to be covered by the regulated tariffs. As regards LNG terminalling, the regulated return increased because of the expansion investments for transshipment services at the Zeebrugge LNG terminal.

Efficiency efforts in line with regulated tariff model

The tariff proposal for the 2016-2019 regulatory period sets out a reference framework for Fluxys Belgium, specifically for authorised manageable costs. By managing its operating costs and continuing its efficiency drive, the Fluxys Belgium group achieved these regulatory objectives and benefitted from incentives.

Investments totalling €91.3 million

In 2019, investments in property, plant and equipment totalled €91.3 million, compared with €78.1 million in 2018. In 2019, €14.4 million was spent on transmission projects, €4.5 million on storage infrastructure and €72.4 million on LNG infrastructure projects (mainly the construction of a fifth tank at the Zeebrugge LNG terminal).

Indicators

Indicators	2019	2018
RAB* (in millions of €)		
Transmission	2,125.3	2,194.2
Storage	239.7	246.1
LNG terminalling	314.4	324.6
Property, plant and equipment excluding RAB (in millions of €)	413.4	376.6
Extended RAB*	3,092.8	3,141.5
WACC* before tax (in %)		
Transmission	3.87	4.04
Storage	3.57	3.71
LNG terminalling	2.85	3.40

* See glossary on page 368.

Subsidiaries' activities and statutory profits

Fluxys LNG

Fluxys LNG (a consolidated subsidiary in which Fluxys Belgium holds a 99.9% stake and Flux Re a 0.01% stake) is the owner and operator of the Zeebrugge LNG terminal and sells terminalling capacity and associated services. Fluxys LNG's equity totalled €203.1 million as at 31 December 2019, compared with €174.8 million the previous year. Net profit for the 2019 financial year totalled €28.4 million, as opposed to €9.0 million in 2018.

Flux Re

Flux Re (consolidated subsidiary – wholly owned by Fluxys Belgium). Flux Re is a reinsurance company under Luxembourg law and was established in October 2007. Flux Re's equity rose from €8.8 million as at 31 December 2018 to €10.2 million as at 31 December 2019. Net profit for the 2019 financial year totalled €6.4 million, as opposed to €8.9 million in 2018.

Balansys

Balansys (stake consolidated using the equity method – Fluxys Belgium holds a 50% stake). As part of the integration of the Belgian and Luxembourg markets, on 7 May 2015 Fluxys Belgium and the Luxembourg transmission system operator Creos Luxembourg set up the company Balansys, a joint venture in which Fluxys Belgium and Creos Luxembourg each have a 50% stake. The company is expected to take over commercial balancing activities for the integrated Belgian-Luxembourg gas market in 2020.

Fluxys Belgium NV/SA – 2019 profit (according to Belgian standards): proposed allocation of profit

Fluxys Belgium's net profits totalled €42.5 million, compared with €47.6 million in 2018. This decrease on the previous financial year is due to changes in the parameters that determine the regulated return, as well as the dividend income and the lower profits from non-regulated activities.

Since 2010, barring unforeseen events, Fluxys Belgium has striven towards distributing 100% of its annual net profits plus the share of reserves freed up as and when the revaluation surplus is depreciated.

At its Annual General Meeting on 12 May 2020, Fluxys Belgium will propose paying out a gross dividend of €1.30 per share by releasing €9.9 million from unavailable reserves.

Taking into account the profit of €53.0 million carried over from the previous financial year and a withdrawal of €49.3 million from the reserves, the Board of Directors will propose to the Annual General Meeting that the profits be allocated as follows:

- €91.3 million as a dividend payment; and
- €53.5 million as profit to be carried forward.

If that profit allocation proposal is adopted, the total gross dividend for the 2019 financial year will be €1.30 per share. This amount will be payable as of 20 May 2020.

Price of Fluxys Belgium shares

In 2019, the lowest closing price of Fluxys Belgium shares (€24.50) was recorded on 2 and 7 January and the highest (€29.70) was recorded on 9 and 12 December. The year ended with a closing price of €28.70. The average trading volume per day of Fluxys Belgium shares on the Euronext Brussels regulated market was 2,366 shares in 2019, compared with 2,204 in 2018.

Fluxys Belgium shares

		2019	2018	2017	2016	2015
Price	Maximum	29.7	28.0	27.10	29.00	27.80
	Minimum	24.5	24.0	24.75	25.41	24.45
	Closing price as at 31 December	28.7	24.5	26.04	26.00	26.46
	Average	27.12	26.31	26.03	27.02	25.92
Consolidated net profit per share		0.99	0.78	1.00	0.69	0.87
Price/profit ratio as at 31 December		29	31	26	38	30
Number of shares		70,263,501	70,263,501	70,263,501	70,263,501	70,263,501
Average daily volume traded		2,366	2,204	2,195	1,709	2,746

Gross/net dividend per share (€)

	2019	2018	2017	2016	2015
Gross dividend per share	1.30	1.26	1.23	1.20	1.20
Net dividend per share	0.910	0.882	0.861	0.84	0.876

Consolidated net profit (in millions of €)

	2019	2018	2017	2016	2015
Consolidated net profit	69.7	54.5	70.3	48.5	61.1

Consolidated equity (in millions of €)

	2019	2018	2017	2016	2015
Consolidated equity	667	687	714	694	736

Outlook for 2020

Under the 2020-2023 tariff methodology, net profits from Belgian regulated activities are determined based on various regulatory parameters, including equity invested and financial structure, as well as incentives as determined by the tariff methodology approved by the regulator. More information about the 2020-2023 tariff methodology can be found in section 7 ('Legal and regulatory framework').

Estimating the potential impact of the Covid-19 outbreak on the 2020 financial results of Fluxys Belgium is difficult at this stage (see 'Risk management', page 164). However, the financial position of the company is sound.

Encouraging employee development

As a company in the energy sector, Fluxys Belgium is operating in a rapidly changing, ever-evolving market. To maintain its success in this context, it is vital for us to be able to rely on skilled, motivated staff as well as on everyone's constant employability. This requires a great deal of agility and adaptability, in a synergy of people, processes and structures.

Tapping into this adaptability as much as possible, taking into account the opportunities and challenges of digitalisation, is key to our HR policy. At the same time, the policy aims to ensure that the right talent is in the right place at the right time to make an optimum contribution to the entire company's success.

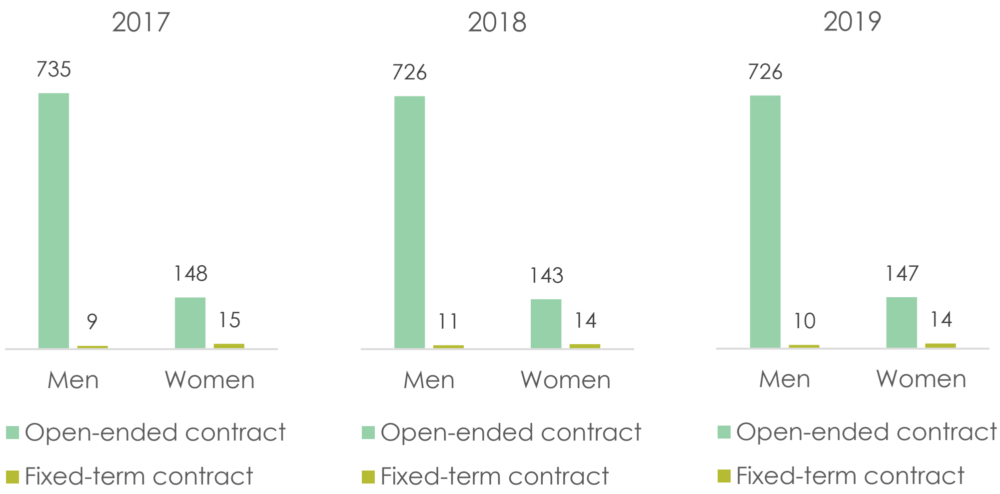
Organisation moving with the growth strategy

Fluxys Belgium constantly examines its processes and structures in light of new challenges. After all, a transforming market requires an organisation that can keep pace with the rapid changes going on. Thanks in part to the proper use of the right digitisation technology, we are striving for more efficient processes and structures that enable the company to work more effectively, thereby allowing Fluxys Belgium to continue experiencing long-term growth and further bolster its position on the market.

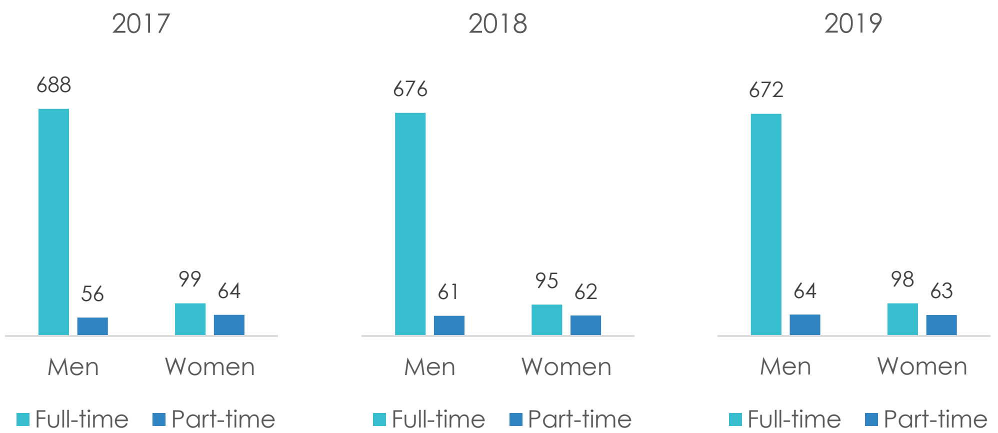
In 2019, Fluxys Belgium launched the Green Gas Platform, a multidisciplinary team which aims to reinforce our strategy of becoming the transporter of the energy of tomorrow. The Green Gas Platform serves as a competence centre with a view to stimulating market development for new energy carriers.

Processes and structures are not the only things needed to achieve our growth strategy; every employee makes a vital contribution. As such, all employees are expected to critically analyse their day-to-day approach and flexibly adapt to changes with agility and an open mind.

Staff members by type of employment contract



Full-/part-time staff members



The personnel data in this section are based on the Fluxys Belgium and Fluxys LNG social balance sheet. Workforce statistics are based on all personnel in the personnel register, including active staff as well as those on long-term sick leave (among others). Unless otherwise specified, the statistics refer to the number of employees and not to the number of FTEs.

Attracting the right talent for today and tomorrow

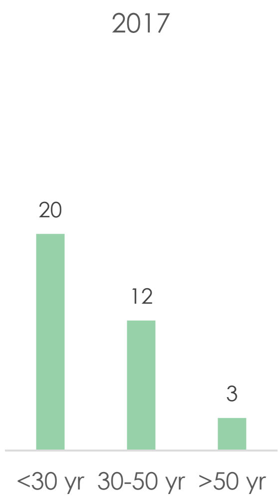
Based on its company objectives, Fluxys Belgium assesses its future staffing needs to gain a clear overview of which competencies are required now and in the future. This involves a sustainable, future-oriented recruitment approach: we are willing to attract driven, motivated, enthusiastic and committed employees who over time could also make a valuable contribution elsewhere in the company or the Fluxys group.

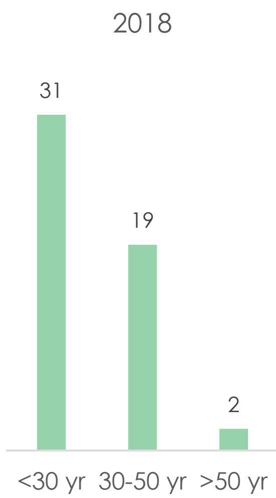
Like other companies, Fluxys Belgium is facing a real war for talent. Innovative recruitment is key to being able to fight this war, so we are using an original concept called the 'Fluxys Job Apero' to attract and recruit potential employees in an informal setting. The first Aperos were a huge success, resulting in several new employees for the company and at the same time boosting Fluxys Belgium's employer brand.

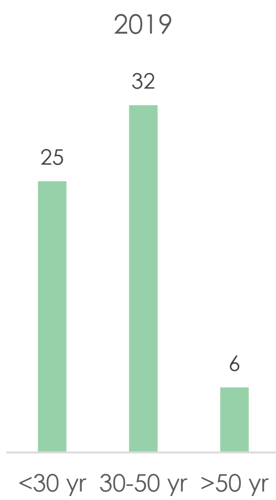
Fluxys Belgium is also continuing to work with the student community by, for instance, regularly attending career fairs and sponsoring campus activities.

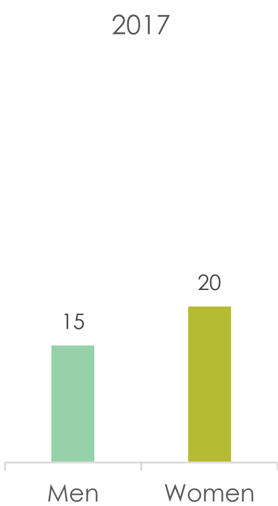
In 2019, Fluxys Belgium laid the groundwork for a new Employer Branding campaign to be rolled out in early 2020. The new campaign is based on a strong and credible Employee Value Proposition', a decisive factor in attracting new employees and motivating current staff members. To develop the Employee Value Proposition, Fluxys Belgium conducted a wide-ranging survey of its employees to find out what value they considered the company to have.

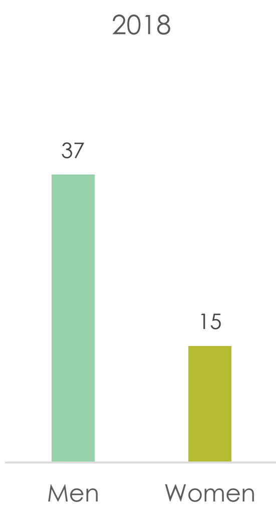
Incoming employees

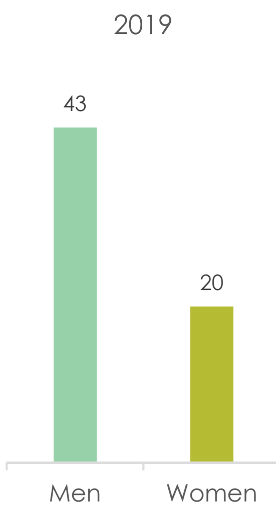




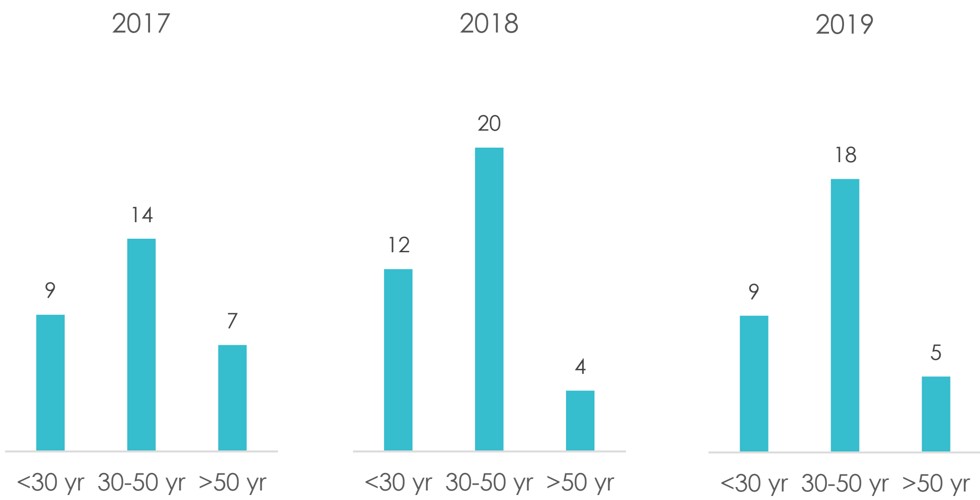


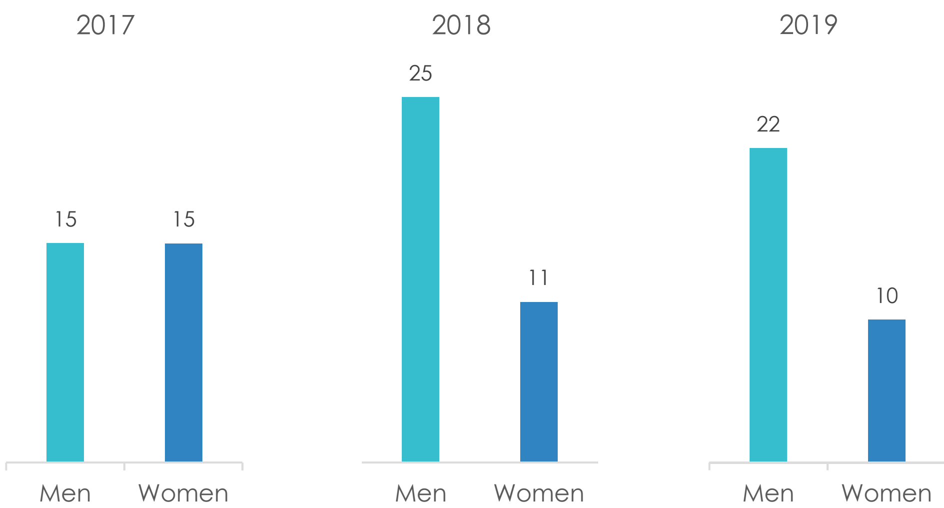






Outgoing employees





	2017	2018	2019
Ratio of outgoing employees	3%	4%	3.6%
Expected outgoing employees	27	25	24

Figures on outgoing employees include unforeseen departures (e.g. dismissal/resignation, death). Expected outgoings includes those employees leaving due to retirement or the end of their fixed-term contract, for instance.

Ensuring that talent contributes to the company's goals

Two levers, namely tailor-made induction programmes and dynamic performance management, are used by Fluxys Belgium to support its employees so they can optimally contribute to achieving the company's goals.

To ensure that new employees and other members of staff get off to a quick and effective start in their new position, Fluxys Belgium uses a personalised induction and integration programme in which the newcomers' managers play a central role. In every induction and integration programme an experienced member of staff acts as a mentor, providing new employees with guidance and support in their work environment.

Fluxys Belgium also stimulates internal job mobility, as this contributes to staff development and employability. 2019 was a particularly dynamic year in this respect: 70 members of staff took the opportunity to move to another position within the company or elsewhere in the Fluxys group.

Fostering commitment

Fluxys Belgium attaches great importance to ensuring that employees are familiar with the business context and the challenges that the company faces, as this fosters personal commitment to the company's vision, strategy and goals. Fluxys Belgium makes special efforts, using a variety of means, to give members of staff a better understanding of what changes are going on in the energy sector, how the company is adjusting its goals and strategy to address these developments, and what these goals mean for each individual staff member.

In the performance-management cycle, a constructive dialogue takes place each year at the various levels within the company to translate the corporate goals into personal ones. In the course of the year, these goals are the subject of regular dialogue between the staff members and their managers. Daily feedback forms the basis of this dialogue, which is formally complemented by performance reviews and assessment interviews. Employees are rewarded for their commitment to achieving the company's goals.

Allowing talent to grow and flourish

Competency management

Fluxys Belgium's competency management and professional development and training programmes are geared towards providing employees with an optimal support, so they are fit to achieve both the company's objectives and their own aspirations.

Competency management at Fluxys Belgium is focused on aligning staff competencies with what the company needs to make its strategy a success. Developing employees' individual competencies allows them to make the best possible contribution to the company's goals while remaining employable in the long run.

Fluxys Belgium uses a model comprising four groups of competencies, namely Think, Do, Interact and Lead. Members of staff map their competencies every t wo years and use this to draw up a targeted plan for their personal development. Following the same logic, managers are encouraged to coach staff with regard to both their performance and their development.

Development and training policy

The development and training policy ensures that members of staff have the relevant knowledge and skills. To boost the effectiveness of this policy, a varied mix of learning tools is used: educational tasks falling within or outside the employees' job description, internal or external coaching, internal and external training, and an online learning platform. Fluxys Belgium applies the bottom-up principle. Staff are expected to take control of their development and career, with the support of their managers.

Fluxys Belgium continuously updates its range of training courses to keep it in line with the organisation's needs. In a bid to improve staff members' long-term employability within the company, Fluxys Belgium is also running a comprehensive programme to develop their digital skills. Specifically, Fluxys Belgium introduced two new ways of learning for digital skills in 2019. For example, employees with questions about using Windows and MS Office packages can contact a team of digital coaches. Taster sessions provide 'tips and tricks' regarding the use of these applications.

In 2019, Fluxys also digitised the management of the learning process and implemented a learning management system. This new feature means that employees now have more autonomy in managing their development.

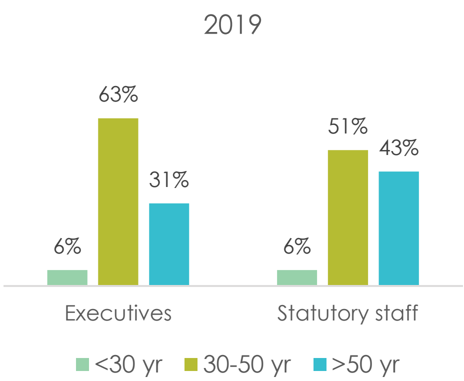
Average number of training days per full-time equivalent		
2017	2018	2019
6.23	6.14	6

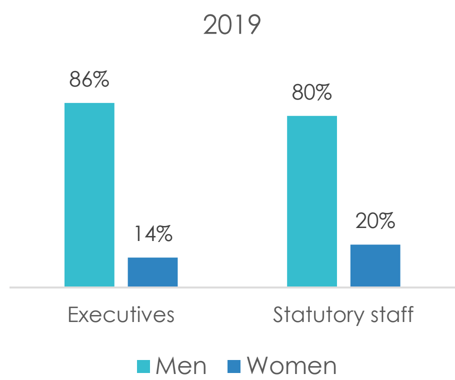
In 2019, members of staff completed more than 38,000 hours of training. Two thirds of the courses provided training in (gas) technology, safety or job-specific training. Alongside these, training sessions have been proposed to enhance general skills centred on the Think, Do, Interact and Lead concept. To develop their digital skills, in 2019 all employees took a test covering their use of Windows and MS Office packages. All of them passed this test, notching up an average score of 88%.

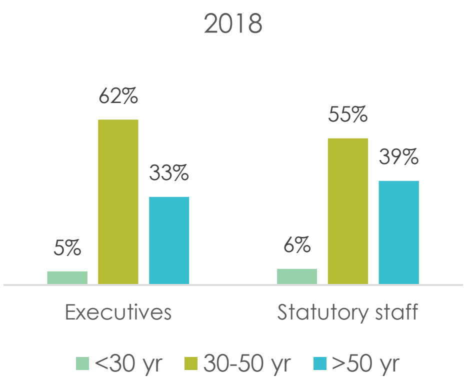
Fluxys Belgium maintains an overview of available competencies within the company through the performance-management cycle, development trajectories and the annual talent review process, among others. This process results in succession planning involving details of how to meet future staffing needs and so contribute to business continuity, growth and innovation. In the same vein, we also encourage internal job mobility and prioritise in-house candidates when seeking to fill vacancies or new positions. Our parent company Fluxys' international development also gives rise to opportunities for further career development.

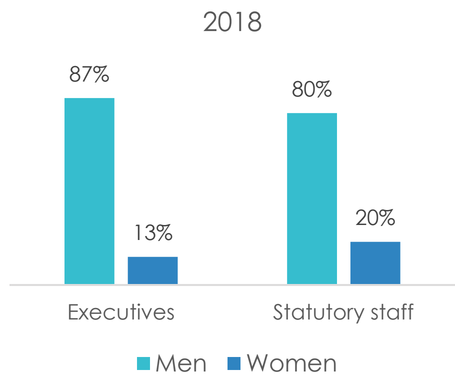
Diversity and non-discrimination

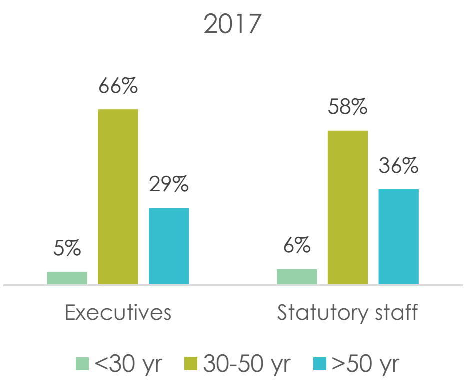
There are a lot of men working in the energy sector, as many of the roles within this sector are technical in nature and such profiles generally drum up less interest among women.

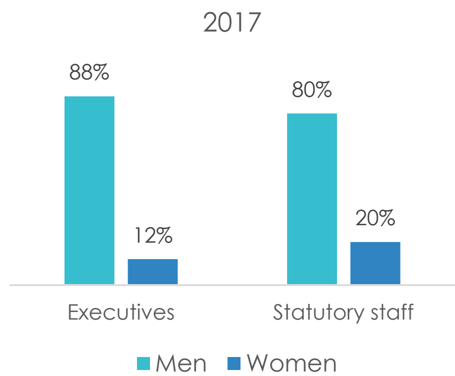






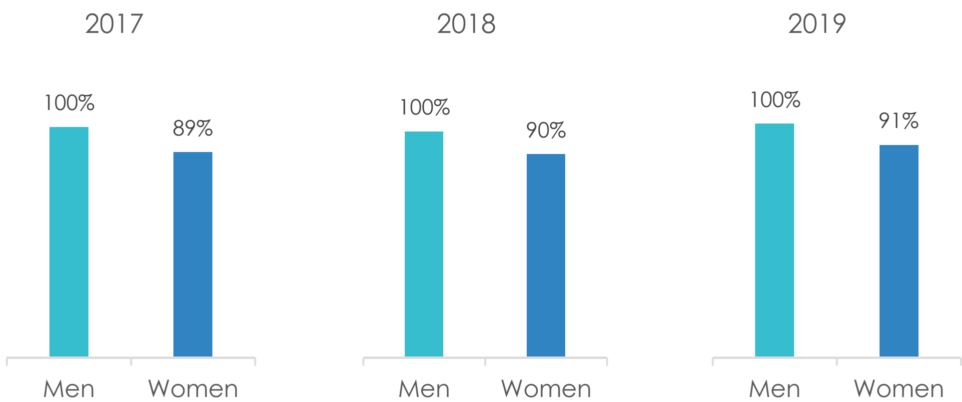




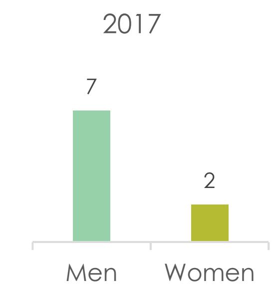


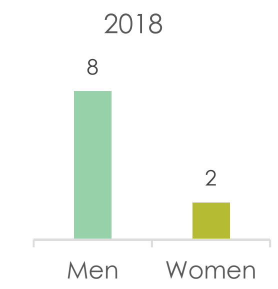
Fluxys Belgium's HR policy is competency-based, and the company does not use positive discrimination quotas for female members of staff. The criteria applied for employee remuneration, assessment, career development and training are identical for both men and women. The difference in the average basic salary between men and women is due to the level and type of role.

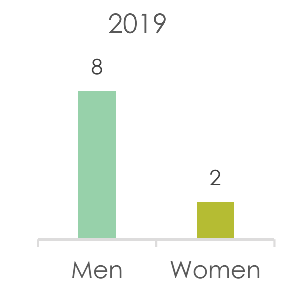
Average basic salary ratio

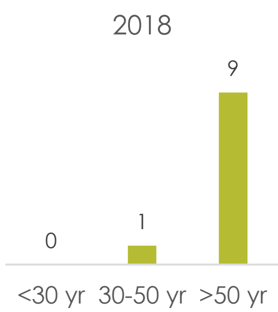


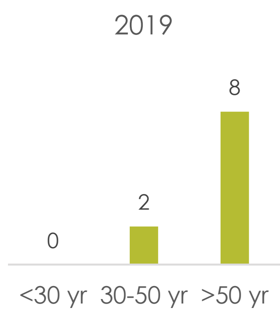
Executive Committee



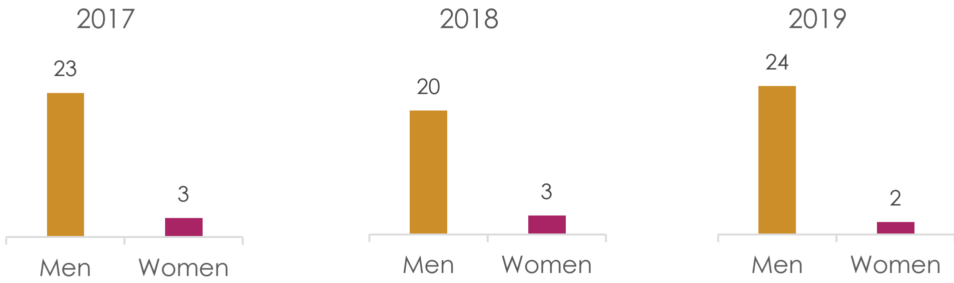


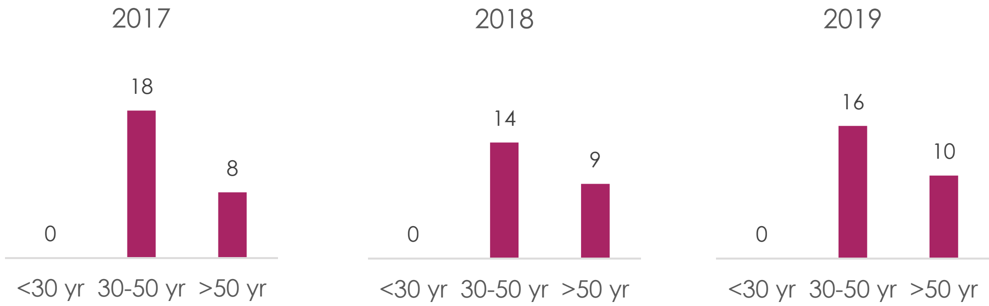




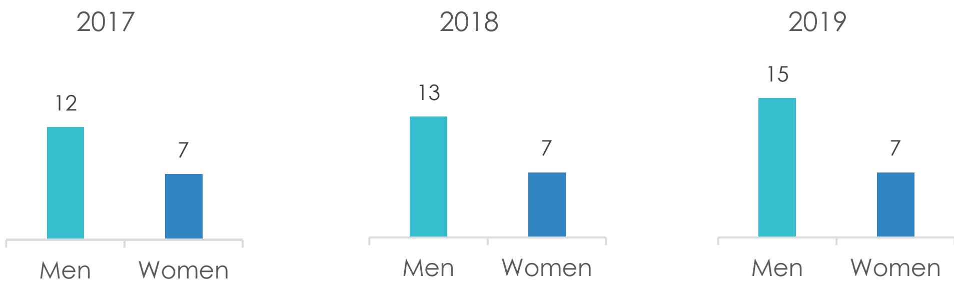


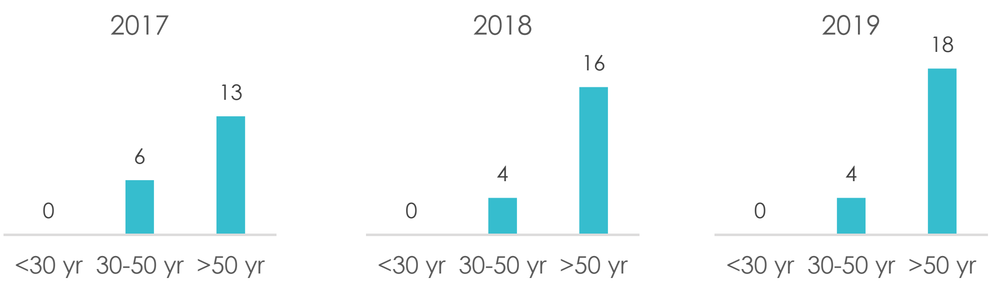
Senior management





Board of Directors





Enhancing cohesion

Fluxys Belgium actively promotes a sense of cohesion and fun at work, encouraging employees to work with their department on organising a team-building event where they provide a social organisation with practical support. In doing so they contribute to the good neighbourly relations that are so important to Fluxys Belgium while reinforcing team spirit. The company is also home to an association where staff organise a wide range of sporting and cultural activities.

Transparent and constructive social dialogue

Of Fluxys Belgium's staff, 68% are employees, while 32% are executives. Various collective bargaining agreements have been concluded for employees, while a number of agreements are in force as well for executives.

Good industrial relations are vital for company cohesion and activity development, which is why Fluxys Belgium engages in transparent, constructive social dialogue with all employees, members of the Works Council, the Committee for Prevention and Protection at the Workplace, the trade union delegation and executive representatives.

When it comes to social dialogue, the company pays great heed to fostering constructive cooperation in an atmosphere of mutual respect. This cooperation can be retrieved across formal bodies, in the various working groups and during informal conciliation meetings (see 'Promoting well-being at work' on page 139).

Promoting well-being at work

The company's HSE policy and values highlight the importance of employees well-being. Healthy and motivated employees are the driving force behind the company.

Fluxys Belgium has developed a range of programmes on areas including protection of employees' health, ergonomics, occupational hygiene, safety on construction sites, and information security management. It has also devised various training paths.

This approach by Fluxys Belgium has contributed to improving the health and well-being of employees and ensuring that the level of absenteeism due to illness is lower than the market average.

Continuously aiming to reduce occupational accidents

In 2019, 22 occupational accidents involving Fluxys Belgium staff were recorded, including 15 that rendered the victim unable to work, resulting in a total of 170 days of absence. The accidents' severity rate was 0.12. Although the number of accidents is higher than 2018, the number of days of absence as a result of accidents entailing an inability to work, as well as the severity rate, decreased.

In all, 13 occupational accidents happened while moving around a site (falling, slipping and tripping), hence the ongoing focus the company places on risks associated with such activities. Meanwhile, nine occupational accidents occurred when performing a task or manual handling of loads. These accounted for 61 days of absence.

Every accident is analysed, and measures are taken to prevent accidents recurring. According to figures from contractors, there were 17 occupational accidents involving Fluxys Belgium contractors, 10 of them resulting in the victim being unable to work.

Our safety culture is entrenched in a proactive approach

In 2019, the safety culture within the company was again assessed at 14 interactive sessions attended by over 150 employees.

This survey of the situation indicated that the safety culture is firmly entrenched in a proactive approach, meaning that everyone takes the initiative to work safely and suggest improvements.

Global Prevention Plan

Fluxys Belgium brings together its initiatives to better prevent occupational accidents and incidents in a five-year Global Prevention Plan (GPP). The 2017–2021 GPP focuses on safety (occupational safety and process safety) and also, for instance, on the prevention of psychosocial risks and on well-being, health and travel.

Fluxys Belgium's absenteeism policy is one of the measures enabling it to look after its employees' health. This policy is based on cooperation between each employee, their manager, HR and the internal and external services for prevention and protection at the workplace.

Employee well-being is also very important for Fluxys Belgium, as was underlined by the launch in 2018 of the FeelingGood@Fluxys campaign, with regular initiatives revolving around five pillars: Fit, Healthy, Fun, Connect and Safe.

Committee for Prevention and Protection at the Workplace

Fluxys Belgium also has a Committee for Prevention and Protection at the Workplace (CPPW), a consultation body provided by law between employees, the employer and management where they can discuss issues and problems concerning employee well-being.

The CPPW meets once every month. Its main task is to actively contribute to any initiatives to promote and maintain employee well-being at work. This primarily involves issuing advice and making proposals concerning, among other aspects, the policy for preventing accidents, incidents and occupational illnesses, the Global Prevention Plan and the annual action plan.

Furthermore, the CPPW conducts regular inspections of Fluxys Belgium's manned facilities and takes part in analyses of serious accidents and incidents. Within the CPPW, ad-hoc working groups work on specific topics, such as work clothes or utility vehicles.

FeelingGood@Fluxys

As part of the FeelingGood@Fluxys campaign, in 2019 Fluxys Belgium took several initiatives to ensure that employees would feel good at work and could do their job in a pleasant and stimulating environment:

'Resilience 2.0' professional training workshops, adopting an interactive approach to issues such as work stress, concentration and digital addiction: 56 workshops were held, with an 87% employee participation rate;

a wider range of causes being supported by team-building events: now not only social causes, but also sports or environmental charities;

a 'Meet Less Day' to encourage employees to reflect on whether face-to-face meetings are efficient and consider potential alternatives;

interactive workshops for the World Day for Safety and Health at Work.

Collective bargaining agreements on employee health and well-being

Local Joint Consultation Committee

The Local Joint Consultation Committee is a local consultation body between the trade-union and employer delegations. It is intended to solve those day-to-day problems that do not solely fall within the remit of one of the other consultation bodies, such as the Works Council or CPPW. Meetings are held every month for head office, the terminal and the Zuun Intervention Centre, and either every month or every three months for regional offices.

Collective labour agreement 90

Collective labour agreement 90 (non-recurring performance-related premium): The 2019-2020 plan (for salaried personnel on the one hand, and executive staff on the other) offers employees financial incentives to work towards certain goals in the following areas:

- the Last Minute Risk Analysis (LMRA), undertaken just before starting tasks in the workplace;
- incident prevention: communication and discussion of incidents within technical entities (executives only);
- occupational accidents (executives only);
- connecting incidents;
- fluid incidents (executives only);
- presence at work (executives only).

Joint Social Fund

The Joint Social Fund was set up within Fluxys Belgium and Fluxys LNG by the Works Council as a follow-up to the national sectoral collective bargaining agreement of 1993-1994. Both active and non-active staff are entitled to a range of benefits associated with health and well-being. The Fund also offers support to beneficiaries experiencing difficulties due to an unexpected event or medical or social problems. The Fund also issues sports and culture vouchers every two years.

Psychosocial risks

Fluxys Belgium also takes measures to prevent psychosocial risks (including stress, violence, bullying and sexual harassment) in the workplace. Alongside the provisions of the work regulations (Annex 15), a specific procedure was drawn up and disseminated among employees. This sets out both the reporting of psychosocial risks and the handling of requests for psychosocial interventions. Any employee who, in spite of the preventive measures taken, indicates that they are facing a psychosocial risk (including violence, bullying or sexual harassment) due to the actions of one or more colleagues or one or more third parties can turn to the health and safety advisor and/or the support officer appointed pursuant to the relevant legislation, for advice, assistance or support or with any requests.

2019 saw 13 such informal discussions with the support officer. None of these discussions was followed by further, formal action.

Last but not least, 'Resilience 2.0' professional training workshops were organised, adopting an interactive approach to issues such as work stress, concentration and digital addiction. These workshops mapped factors that provide positive energy and that can serve as support mechanisms.

Ethics and human rights

Fluxys Belgium operates with clear rules regarding the ethical conduct and the respect of its employees' rights. The company communicates these rules to its own staff and third parties' employees and encourages compliance.

Ethical rules of conduct

Fluxys Belgium operates an Ethical Code of Conduct that translates its corporate values into working principles that apply in relations with company's stakeholders (customers, suppliers, employees, shareholders and partners, public authorities and regulators, group companies and the community) and in guidelines on HSE (Health, Safety, Environment), conflicts of interest and on the dissemination of information. This Code of Conduct applies to both staff members and third parties working on behalf of the company.

Fluxys Belgium has also issued guidelines on the use of social media with a view to achieving a balance between every employee's freedom of speech and right to privacy on the one hand, and on the other hand the company's duty to ensure that employees, in their capacity as members of the Fluxys Belgium workforce, do not make statements that go against the company's values.

Fluxys Belgium has also developed guidelines on the handling and security of data, including the requirements of the EU's General Data Protection Regulation (GDPR) and general privacy regulations, recognising the fact that the responsible, secure handling of data is vitally important to the company and its employees and that everyone has a role to play in this regard. Against this backdrop, in 2019, Fluxys Belgium developed e-learning modules which employees were required to follow and successfully complete.

In the course of the year, parent company Fluxys also drafted a Code of Ethics setting out ethical principles and values for all Fluxys group companies, including Fluxys Belgium. The Code presents the ethical principles and values applying to areas including safety and the environment, the work environment, trade relations, human rights, and relations with the community and public authorities.

Human rights

Fluxys Belgium strives to respect human rights through the Ethical Code of Conduct, the work regulations, a number of collective bargaining agreements and specific regulations. This covers the following rights, among others:

- the right to decent work (for the company's employees and those of our suppliers) and well-being;
- the right to rest and free time (flexible working hours, leave of absence);
- equal opportunities and freedom from discrimination;
- protection of the work-life balance (including working from home and leave of absence);
- freedom of association and trade union membership;
- the right to protection from risks at work, including stress, violence, bullying and sexual harassment.

When Fluxys Belgium purchases services or materials, the applicable procurement conditions also contain provisions on the prohibition of illegal work, forced labour or child labour, the protection and insurance of contractor employees, and so on. Fluxys Belgium ensures that the necessary emphasis is placed on these aspects during the assessment of its suppliers.

Monitoring

In 2019, there were no complaints about fraud or other unethical behaviour within the company, nor were there any legal proceedings concerning anti-competitive behaviour or failure to comply with competition law.

Audit for instances of fraud or complaints about unethical behaviour

The Audit, Risk, Ethics & Compliance Department audits fraud-sensitive processes annually and audits the procurement process itself every three years.

As per the audit plan, regular audits cover purchases and payments, non-discrimination in providing access to the market, and the confidentiality of information. Complaints about unethical behaviour are detailed in the annual compliance report drawn up by the Compliance Officer and published on the Fluxys Belgium website.

Procurement policy

Depending on the type of procurement in question, Fluxys Belgium adopts the most appropriate form of market consultation.

Around 79% of our suppliers are Belgian companies.

Principles

The company's procurement policy is regularly reviewed and is based on five main principles:

- Where possible, Fluxys Belgium opens up contracts by having potential contractors compete through tenders and by limiting the duration of contracts.
- Transparency and non-discrimination are vital to maintaining lasting relationships with contractors and developing in-depth market knowledge.
- In the procurement process, every effort is made to strike the best balance between safety, reliability, quality and cost, the aim being to contribute to the company's profitability and continuity.
- This approach should lead to an optimal result that is in line with Fluxys Belgium's strategic goals, values and Ethical Code of Conduct.
- As such, Fluxys Belgium has opted for a centralised procurement process featuring a dynamic distribution of roles between requester and buyer, resulting in a pragmatic and efficient partnership for implementing procurement in practice.

Supplier developments

In 2019, Fluxys Belgium signed contracts with 104 new suppliers. In most cases, they replaced existing suppliers as a result of contracts being opened up. Other new suppliers were taken on because, for example, we started purchasing new types of goods and services, or one supplier's business was taken over by another.

CSR assessment of suppliers

Since 2019, suppliers with whom we have placed an order worth over €200,000 have been asked to provide certificates attesting to their environmental, ethical and social practices.

Risk management

Internal control and risk management systems

Reference framework

Fluxys Belgium applies the COSO model (based on ISO 31000) as its reference framework for internal control and risk management. The risk management process is a continuous and cyclical one, to ensure ever more comprehensive mapping and effective control of risks.

The Risk Charter sets out the organisation, development and management of the risk management process for Fluxys Belgium and its subsidiaries. It encompasses the identification, analysis, evaluation and treatment of risks in order to assist management in meeting company objectives. The Charter also lays down the principles, procedures, roles and responsibilities associated with risk management.

Roles and responsibilities

The Board of Directors determines – pursuant to a proposal by the Executive Board – the degree of risk which the company is willing to incur, in accordance with its values, strategy and core policies. The Board of Directors therefore approves the reference framework for internal control and risk management and assesses the application of the reference framework. The Audit Committee advises the Board of Directors in this area.

At least once a year, the Audit Committee examines the internal control and risk management systems set up by the Executive Board. In this way, the Committee ensures that the most important risks are suitably identified, managed and communicated. Risks associated with social, personnel and environmental issues, respect for human rights and tackling corruption and bribery are considered in the relevant processes and departments. Since late 2017, the most important risks have been monitored on a regular basis and reported to the Executive Board. The Executive Board is responsible for implementing risk management. In this capacity, the Executive Board evaluates the risks and the measures taken to mitigate them.

In a bid to ensure efficient internal controls, Fluxys Belgium has put in place a separation of functions in its processes and IT systems intended to limit the risk of errors and fraud in its accounts. In addition, control functions are in place within key departments which regularly evaluate the latter's respective risks and controls, and adjust and report on them.

A budget monitoring exercise is also held regularly as part of financial reporting. The monitoring, which focuses on comparing the budget with the actual figures and with forecasts, is carried out for the group as a whole, with the results being reported to the Executive Board on a regular basis. Fluxys Belgium uses SAP as its system for financial reporting.

Fluxys Belgium also sets Key Performance Indicators (KPIs). The company's main KPIs relate to the corporate objectives concerning, for example, safety, continuity of gas flows, marketing, market development, budget balance and HR policy.

Risk register

The likelihood and impact of each risk identified are determined in either quantitative or qualitative terms. The impact assessment criteria may pertain to the financial situation, reputation, safety, the environment, or availability. Fluxys Belgium views impact as a combination of these aspects, as certain risks can affect the financial situation while others have a bigger impact on reputation or safety. If the impact of a risk encompasses multiple criteria (e.g. financial, reputation), Fluxys Belgium opts for the criterion with the highest grading (according to the prudence principle). In this way, the company's risk profile is adjusted periodically.

The risks are set out in a risk matrix, in which Fluxys Belgium distinguishes three levels of risk:

- Unacceptable risks: risks for which measures must always be taken immediately to reduce the risk.
- Risks for which measures are taken to reduce the risk in line with the ALARP ('as low as reasonably possible') principle. This means that the technological resources, economic restrictions and feasibility of the measures are weighed up carefully against their risk-reducing effect. The divisions keep a close eye on the risks.
- Risks that are acceptable as the necessary controls and measures are in place.

Control measures

The risk profile, as it appears in the risk register, is compared with the risk tolerance and where necessary, additional measures are taken with the aim of bringing all risks within acceptable limits. For each sector of activity, these measures are translated into a policy, procedures, instructions and regular evaluations by means of external and internal audits, technical audits and quality controls on implementation of the measures. This strengthens risk awareness within the organisation.

Internal Audit Department

The Internal Audit Department is an independent and objective control department within Fluxys. The Internal Audit Manager reports to the Chairman of the Audit Committee, thus guaranteeing independence. The department is tasked with applying a rigorous, systematic approach to evaluate and enhance the efficiency of risk management, risk control and processes.

An annual audit plan is drawn up every year based on a multi-year risk-based audit plan. A number of stakeholders are involved in this planning process. Incorporating the business and risk management into the planning process offers the advantage that the audit is focused squarely on relevant and major risks and controls.

Market risk

The current market situation is putting both transmission and storage of natural gas under pressure, and this is having an impact on the amount of capacity actually reserved. In this context, Fluxys Belgium is working hard to make its services even more attractive and to keep tariffs as competitive as possible.

In light of Europe's energy and climate policy, the shift towards greater energy efficiency and a low-carbon energy mix in favour of, for example, renewable energy sources ultimately makes the development of demand for natural gas uncertain. While the number of long-term transmission contracts is dwindling, the number of short-term transmission contracts is on the rise. This is why Fluxys Belgium is carefully considering where to invest in new infrastructure.

The end of Dutch L-gas by 2030, exports of which will start falling as of 2024, will put an end to L-gas transit flows through Belgium, which may not be offset by new H-gas transit flows. Furthermore, the gradual disappearance of L-gas and subsequent conversion to H-gas represents a potential risk of loss of market share as L-gas users can opt for energy sources other than natural gas.

For our storage facility in Loenhout, the end of the long-term contracts in 2022 means that sales will be more volatile from then on, depending on how the price differential between summer and winter gas develops on the gas trading places. The outlook for the years ahead points to a high level of volatility. This trend means it will be unclear for storage operators whether costs can be covered year in, year out. To this end, new market models involving a support mechanism have already been developed in neighbouring countries, competing directly with sales of storage capacity at Loenhout. In this context, Fluxys Belgium is teaming up with CREG and the Federal Public Service Economy, SMEs, Self-employed and Energy to work on a market model enabling to continue using the storage infrastructure in the long term as a key asset for the Belgian energy system.

In the electricity generation segment, the load factor of Europe's gas-fired power plants is contingent on a range of factors, such as the extent and rate at which generation capacity with renewable energy sources increases, the weather, changes in the price of coal and CO_2 emission rights. For natural gas transmission companies, the uncertainty surrounding the load factor of gas-fired power plants fosters uncertainty around capacity bookings for these power plants. By contrast, the Fluxys Belgium network is ready to connect new gas-fired power plants in a partial or complete nuclear phase-out.

The energy transition and efforts to improve air quality also afford opportunities to Fluxys Belgium as a gas infrastructure company. Thanks to gas infrastructure, major steps can be taken now in terms of heating, mobility and heat demand in industry to reduce CO_2 emissions and air pollution immediately. Specifically, switching to natural gas decreases emissions of particulate matter and other air pollutants such as nitrogen oxides, and makes CO_2 emissions drop as well. Moreover, the current infrastructure can serve as a buffer given the growing need for flexibility arising with the switch to renewable energy (characterised by fluctuations in wind and solar energy).

At the same time, a carbon-neutral energy system needs gas infrastructure to address the limitations of electrification with renewable energy. Gas infrastructure and innovative gas technologies are instrumental in making green gas available as an additional carbon-neutral energy source to homes and businesses. Gas infrastructure will also be an important link in the chain when it comes to capturing CO_2 in some processes and transporting it for reutilisation or storage. Investigations must be conducted to determine which investments need to be made in gas infrastructure based on the new types of gases requiring transmission.

Fluxys Belgium reduces the market risk by monitoring the market closely and so seizing the opportunities presented by an increasingly volatile market, by organising targeted marketing campaigns involving, for example, the development of innovative products, by offering competitive tariffs and by conducting a tailor-made depreciation policy. Digital technology provides an opportunity not only to develop new products and services but also to optimise existing business models and processes.

Financial risk: counterparty risk

Fluxys Belgium systematically assesses its counterparties' financial capacity and closely monitors receivables. Company policy regarding counterparty risks requires major customers and suppliers to undergo a financial analysis (liquidity, solvency, profitability, reputation and risks) in advance and subsequently on a regular basis. The company uses internal and external information sources to this end, such as official analyses performed by specialist rating agencies (Moody's, Standard & Poor's, and Fitch). These rating agencies assess entities in relation to risk and award them a credit rating. Fluxys Belgium also uses databases containing general, financial and market information to complement its own evaluation of potential customers and suppliers. Furthermore, the group asks most of its customers and certain categories of suppliers to provide a financial guarantee, thereby reducing the group's exposure to credit risk both in terms of default and concentration of customers.

Cash surpluses belonging to the Fluxys Belgium group are deposited with parent company Fluxys within the framework of cash pooling agreements. Fluxys invests these surpluses with prominent financial institutions or in the form of financial instruments issued by companies with a high credit rating, or in financial instruments issued by companies in which a creditworthy authority is the majority shareholder or which are underwritten by a creditworthy EU Member State, or in loans to Fluxys subsidiaries at market conditions. Through monitoring its subsidiaries, Fluxys reduces and manages the counterparty risk for the subsidiaries as well.

Industrial risks

The main activities in which Fluxys Belgium is involved are the transmission and storage of natural gas and LNG terminalling in Zeebrugge. Given the nature of the product Fluxys Belgium transports, the company adopts a comprehensive safety and security policy.

Risks linked to the operation of Seveso sites

In 2019, Fluxys Belgium and Fluxys LNG operated two Seveso sites: the LNG terminal in Zeebrugge and the underground storage facility in Loenhout. In accordance with Seveso legislation, Fluxys Belgium and Fluxys LNG pursue a proactive risk-management policy covering well-being at work, industrial safety and the environment. The Federal Public Service Employment, Labour and Social Dialogue also conducts specific inspections at both Seveso sites in conjunction with the Flemish government's Environment Department.

Damage to infrastructure caused by third parties

Serious pipeline incidents are often the result of damage caused by third parties. To avoid such damage, anyone planning or wanting to carry out work in the vicinity of natural gas transmission infrastructure is legally required to notify Fluxys Belgium in advance. Fluxys Belgium then confirms whether or not any natural gas transmission infrastructure is located in the vicinity of the planned work. If this is the case, the applicant is sent all the relevant information and details of further procedures to be followed to carry out the work safely. Before the actual work starts, the arrangements are again laid down on paper at the site itself. Fluxys Belgium also plays an active role in initiatives to keep the notification requirement threshold as low as possible. This, along with the careful actions taken by all of our employees, resulted in third-party works causing no damage involving gas escaping or capacity being interrupted in 2019.

There are also patrols of pipeline routes by car, by helicopter and on foot, providing support to contractors working nearby. Inspection patrols are also intended to check that no unreported works are being performed in the vicinity of Fluxys Belgium pipelines, for instance. Furthermore, all main pipelines are fitted with an acoustic detection system. A special helicopter checks the gas network for leaks every year.

Fluxys Belgium regularly evaluates this integrated administrative and operational approach to work by third parties to identify ways in which it can be improved and whether such improvements are necessary. The company also implements an active awareness-raising policy on safety issues concerning its natural gas transmission infrastructure for local authorities and all parties involved in works nearby.

Safety management system

Fluxys Belgium monitors public safety, the environment and employee well-being during the design, construction, commissioning, inspection, operation and decommissioning of its facilities. To ensure a structured and efficient approach here, Fluxys Belgium uses a Quality & Safety Management System in its transmission activities. The system incorporates the relevant legal requirements and standards and is constantly adjusted in light of the latest developments and improvements. The management system for storage and LNG activities is covered by the Seveso legislation and is supervised by the relevant authorities.

Damage to infrastructure caused by Fluxys Belgium works

Damage can also occur when Fluxys Belgium commissions or repairs infrastructure. All incidents or near-incidents are investigated thoroughly and action is taken immediately to prevent such incidents from recurring.

Preventing corrosion

Where possible, the pipelines are periodically inspected internally using intelligent pipeline inspection gauges. The underground pipelines are covered with an external coating to prevent corrosion. Fluxys Belgium also uses a cathodic protection system to provide additional protection from corrosion in case of coating errors.

Crisis management

Competent teams have been set up to manage and control crisis situations prompted by any incidents and accidents involving a facility operated by Fluxys Belgium or Fluxys LNG. All members of these teams receive special crisis-management training and Fluxys Belgium organises crisis drills on a very regular basis to ensure that the group is always ready to respond to an incident.

Availability, reliability and safeguarding of ICT

The activities of Fluxys Belgium and Fluxys LNG are becoming increasingly dependent on the availability of ICT and industrial control systems (ICS). These systems may malfunction as a result of events outside Fluxys Belgium's control. Fluxys Belgium has taken measures to gear the availability of its IT systems to its needs. For example, training courses and awareness campaigns are organised, the risk of cyber attacks is limited by various technical measures, and back-up facilities have been put in place for a number of systems, such as those used to manage natural gas flows in the network, and can be activated as soon as a malfunction occurs, thus ensuring continued operation.

Insurance and bank guarantees

Fluxys Belgium assesses the likelihood of the main risks connected with its activities and estimates the potential financial impact thereof. Depending on the possibilities and the market conditions, the group mainly covers these risks via the insurance market. In some cases, risks are partially reinsured by Flux Re, a wholly-owned subsidiary of Fluxys Belgium, or are partially self-retained, for example by applying appropriate deductibles.

The fact that Flux Re is fully consolidated in the group's accounts means that the cost of accidents covered by the group's reinsurance policy are booked to the consolidated result. Flux Re also reinsures certain risks facing other companies in the Fluxys group. Where appropriate, compensation paid in the event of an accident involving these parties will impact the Fluxys Belgium group's IFRS consolidated result.

The comprehensive cover is in line with European best practices in the field and includes the different areas in which risks may materialise:

- protection of facilities against various types of material damage; in specific cases, facilities also have additional cover for loss of earnings as a result of unavailability due to damage;
- protection against third-party liability by means of comprehensive, multi-level cover;
- staff programme: mandatory insurance cover (statutory insurance against occupational accidents) and staff healthcare programme;
- protection of the vehicle fleet by means of appropriate insurance.

Within the framework of its policy in connection with the risks associated with its commercial activities, for most of its activities Fluxys Belgium can request a contractual guarantee from its counterparties in the form of a bank guarantee, a guarantee issued by a creditworthy parent company or a cash deposit if they do not meet the set creditworthiness requirements. Fluxys Belgium closely monitors the commercial debts owed to it and systematically assesses the financial capacity of its counterparties. The risk of default is therefore limited but Fluxys Belgium cannot rule out such a risk completely or, by extension, a potential negative impact on its financial situation.

Impact of the Covid-19 pandemic

At the time of adoption of the 2019 annual financial report, it is difficult to estimate the financial impact of the Covid-19 pandemic on the Fluxys Belgium group in 2020 given the uncertainty and rapid development of the pandemic in Belgium and across Europe.

The impact of the Covid-19 pandemic will depend on how the pandemic will continue to develop, how long it will last, what consequences it will have on the Belgian economy and, in particular, on energy demand, and the extent to which the adverse effects of the pandemic will be mitigated by government measures to support the economy.

Fluxys Belgium is monitoring the situation closely to be able, where possible, to mitigate the adverse effects of the pandemic on Fluxys Belgium's operations and financial results.

Industrial risk – Business continuity

Fluxys Belgium has contingency plans and procedures in place covering both operational and ICT-activities, with several scenarios regularly being tested. Amid the Covid-19 outbreak the company has activated its contingency planning and taken the necessary steps to safeguard continuity of business and ensure security of supply while carefully complying with the recommendations of the authorities in order to limit the spread of the virus.

All employees who are not required onsite to ensure business continuity work from home. The contingency plan also contains a series of specific measures such as reorganisation of shifts, segregating critical employees, intensification of cleaning and disinfection, coordination with the contingency planning of critical service providers, and identification plus additional purchases of critical material.

In line with the authorities' recommendations and the default option of working from home, all activities implying travel or physical contact are restricted as much as possible.

All these measures will lead to some limited additional costs provided that the crisis is limited in time. The measures also imply delays regarding ongoing and planned maintenance and construction work to the extent that for the time being these are not essential for security of supply.

Market risk

Covid-19 can have an effect on Fluxys Belgium's sales as economic slowdown or recession leads to less short-term bookings and in the future to less long term bookings. As a large part of the company's activities are regulated, reduced demand for its services (low gas demand scenario) might lead to a revision of tariffs, a process implying concertation with the federal energy regulator CREG.

Counterparty risk

Covid-19 will impact the financial strength of customers, suppliers and financial counterparties through the restrictions and measures imposed by the authorities. It is therefore possible that some counterparties may not be able to meet their financial obligations partially or in full. However, Fluxys Belgium's customers are mostly large and solid companies.

Liquidity and interest rate risks

As of today Fluxys Belgium has sufficient liquidities and available credit lines to assure liquidity for a reasonable period of time. Most of Fluxys' financing is at fixed interest rates or hedged, reducing the interest rate risk.

In case of reduced revenues, the company might be led to source additional financing while access to financial markets may prove difficult or possible only at unfavourable conditions.

Legal and regulatory framework

Europe

Since 3 March 2011, the European natural gas market has been regulated by the European Union's third energy package:

- Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (the Third Gas Directive);
- Regulation (EC) No. 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No. 1775/2005 (Second Gas Regulation);
- Regulation (EC) No. 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (ACER Regulation).

Belgium

Within the current legal and regulatory framework, a regulated system is applied to transmission (both domestic and border-to-border), natural gas storage and LNG terminalling. As required by European legislation, the Belgian market is supervised and overseen by independent regulators. The supervisory authority for the regulated activities of the Fluxys Belgium group is the federal regulator, the Commission for Electricity and Gas Regulation (CREG).

Legislation

The Belgian Gas Act forms the general basis of the regulatory framework and incorporates the main principles that apply to the activities of Fluxys Belgium and Fluxys LNG as operators of the transmission network, natural gas storage facilities and LNG terminalling facilities.

The third package of legislative measures, in particular the Directive of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas, was transposed into Belgian legislation (Act of 8 January 2012 amending the Gas Act adopted as of 21 January 2012):

- The legislation provides for a procedure for certifying operators of the transmission network, natural gas storage facilities and LNG terminalling facilities. The aim of this certification is to verify compliance with the requirements of unbundling operators from energy suppliers or producers (ownership unbundling). On 27 September 2012, CREG certified Fluxys Belgium as a transmission system operator that works entirely separately from natural gas suppliers and producers.
- In addition to the certification procedure, the procedure for appointing operators of the transmission network, natural gas storage facilities and LNG terminalling facilities remains unchanged by Ministerial Decree. As a result, on 23 February 2010 Fluxys Belgium was appointed operator of the natural gas transmission network and of the natural gas storage facility, and Fluxys LNG was appointed operator of the LNG facility.
- CREG is also responsible for developing the methodology for transmission, storage and LNG terminalling tariffs after having undertaken a public consultation on the subject. Operator tariff proposals must be approved by CREG.

Setting tariffs

General

The decisions pertaining to the establishment of the tariff method for the natural gas transmission network, the natural gas storage facility and the LNG facility were approved by CREG on 18 December 2014. This method includes the rules that network operators must comply with when preparing, calculating and submitting tariffs for the period 2016-2019 and which the regulator itself will use for processing these tariff proposals.

The 2016-2019 tariff proposal submitted by Fluxys Belgium on 30 June 2015 based on that method was reviewed. The reviewed version was finally approved by CREG on 29 October 2015. The approved tariffs are valid for four-year periods unless exceptional circumstances arise. As a result, 2016 was the first year of the four-year regulatory period.

Thanks to the interim tariff review mechanism, as provided for in CREG's approval decision, an amended tariff proposal for transmission services was submitted on 26 April 2017, which was approved by CREG on 24 May 2017, providing for a decrease in tariffs for 2018 and 2019. This follows on from a previous tariff reduction, which took effect on 1 January 2015. The tariff decrease for transmission services on 1 January 2018 has not caused a fall in Fluxys Belgium's profits, which are largely determined by the regulated rate of return.

On 16 March 2017, a network code for tariffs (TAR-NC) was adopted by Regulation (EU) No. 2017/460 of the European Commission. This aims to achieve a harmonised transmission tariff methodology for gas transmission in Europe and provides a range of requirements regarding publication of data and communication on tariffs. This has had an impact on the determination of tariffs for the regulatory period 2020-2023.

The updated tariff proposal that Fluxys LNG submitted on 25 May 2019 was approved by CREG on 27 June 2019. As a result, tariffs have been falling since July. CREG requested that a new tariff proposal be submitted once construction of the transshipment service facilities is complete. An adapted tariff proposal will not significantly affect the regulated return for 2020.

Principles

The tariffs must cover the **estimated authorised costs** necessary to be able to efficiently provide the regulated services. The basis for this calculation is the accounting according to the Belgian accounting rules (Belgian GAAP). The estimated authorised costs include the **operating costs, financial expenditure and regulated return**.

Operating costs. Operating costs are divided into:

- manageable costs, for which efficiency gains or losses are distributed proportionately between Fluxys Belgium (rise or fall in authorised profits) and regulatory assets or liabilities (increase or decrease in future tariffs) in 2019;
- non-manageable costs, for which deviations from the estimated value are fully allocated to the regulatory assets or liabilities.

This encourages Fluxys Belgium to perform its activities in the most efficient way possible. Every saving against the estimated and permitted budget for manageable costs has a positive impact on the pre-tax gross profits for 50% of the amount in 2019. On the other hand, exceeding budgets negatively influences the profit.

The following are not considered manageable costs: depreciation, costs relating to other regulated activities, subsidies, taxes, duties and expenses relating to the purchase of commodity products for the operation of the network. Staff costs, business expenses, services and various goods are considered manageable costs.

Financial expenditure. Financial expenditure relates to net financial costs, i.e. after deduction of financial income. All actual and reasonable encountered financial costs relating to debt financing for regulated activities are consequently included in the tariffs.

Regulated return. The regulated return is the return on equity invested authorised by the regulation. This is calculated based on a remuneration percentage of the average annual value of the regulated assets (average Regulatory Asset Base - RAB). This RAB, based on the calculations under Belgian accounting standards, varies from year to year, taking into account new investments, decommissioning, authorised depreciation and changes in operating capital.

This remuneration percentage is made up of two components determined by the equity/RAB ratio (= S factor).

1. For the equity part up to and including 33% of the RAB in 2019, the following applies: average RAB in year n x 33% x [(OLO n) + (ß x risk premium)] x (1+α)

   The remuneration percentage (%) as established by CREG for the year 'n' is equal to the sum of the risk-free interest rate and a premium for the risk of the shares market, weighted with the applicable beta factor. The reference financial ratio of 33% is applied to the average value of the Regulatory Asset Base (RAB) to calculate the reference equity.

The following applies:

- OLO n = for year n, the average interest rate for 10-year Belgian linear bonds;
- ß (network operator risk against global market risk) = 0.65 for transmission; 0.78 for storage and terminalling;
- risk premium = 3.5%;
- α (illiquidity premium) = 20% for transmission and storage.

2. For the part of the equity that exceeded 33% in 2019, the following applies: average RAB in year n x (S - 33%) x (OLO n + 70 basis points).

For 2019, CREG encourages a ratio between equity and regulatory asset base that is as close as possible to 33%. As a result, the part of the reference equity that exceeds 33% of the regulatory asset base is remunerated at a lower tariff, i.e. the average rate on 10-year Belgian linear bonds and a premium of 70 basis points.

The methodology also provides for a specific level of authorised margin for new facilities or extensions to facilities to promote security of supply, or for new facilities or extensions to storage or LNG facilities. The remuneration of the LNG facilities combines a RAB x WACC formula on the initial and replacement investments of the terminal with an IRR (Internal Rate of Return) formula on extension investments undertaken since 2004. CREG establishes a maximum IRR per investment, which Fluxys LNG may not exceed to ensure the attractiveness and competitiveness of the LNG terminal.

The principles of the IRR model for the extension investments by Fluxys LNG were approved by CREG and confirmed in its decisions of 2 October 2014, 28 June 2018 and 27 June 2019.

New tariff methodologies for 2020-2023. In June 2018, CREG, the federal regulator, set out new tariff methodologies for the transmission and storage of natural gas and LNG terminalling for the period 2020-2023. These new methodologies are based on existing principles that have been honed and supplemented.

- The system ensuring that tariffs cover all reasonable costs (including interest and fair remuneration) continues to apply.
- The calculation of fair remuneration has been refined to boost stability. As such, the risk-free interest rate is no longer adjusted on an annual basis. Instead, it is now set in advance for the entire regulatory period. In addition, the regulatory ratio between equity and borrowed capital has changed from 33/67 to 40/60.
- Alongside incentives to control costs, several new incentives have been introduced to monitor and manage some aspects of company performance. The share of savings made by the company has been adjusted to limit additional gains.

Annual settlement

Every year, a settlement is made which compares the estimated amounts with the real amounts. These differences are registered on a regulatory asset or liability in the year in which they occur. This applies to the different aspects of the tariff calculation, namely:

- the estimated sales volumes used to determine the unit tariff;
- operating costs;
- financial expenditure;
- the regulated return.

This results in a regulatory debt (if for example the real volumes exceed the estimates or if the operating costs, financial expenditure or regulated return are lower than expected) or a regulatory receivable in the opposite case.

This regulatory debt or receivable is taken into account in accordance with the tariff methodology to set the tariffs for the following regulatory periods. In the event of an accumulated positive balance at the end of the regulatory period, CREG can also decide to use part of it to finance investments. In 2019, €20.6 million was used to finance investments (€11.1 million in 2018).

Code of conduct

The code of conduct determines the terms for accessing the natural gas infrastructure. These terms constitute all the operational and commercial rules that form the framework within which Fluxys Belgium and Fluxys LNG enter into contracts with users of the transmission, storage and LNG infrastructure.

An initial code of conduct was established by the Royal Decree of 4 April 2003. From 2006 onwards, several market consultations were organised by CREG on the evolution of this code. On 15 January 2011, the Royal Decree of 23 December 2010 on a new code of conduct came into effect.

That code of conduct states that operators (for transmission, storage and LNG terminalling) must draw up a range of documents which are subject to CREG's approval: the Access Code for Transmission, the Transmission Programme, the Standard Transmission Agreement and the Standard Connection Agreement. When drawing up these documents, the network users concerned are consulted to ensure that the services offered are aligned as closely as possible with market needs. Only after this consultation can the documents be submitted to CREG for approval.

Compliance officer

The code of conduct states that the network operator must appoint a compliance officer under the commitments that the network operator enters into regarding non-discriminatory access to the network. Fluxys Belgium has appointed a compliance officer. In 2015, the compliance officer set up a compliance programme with the specific details of the rules of conduct that members of staff must comply with regarding non-discrimination, transparency and handling of confidential information. The Board of Directors and Executive Board of Fluxys Belgium approved the compliance programme.

Every year, a compliance report is prepared for both Fluxys Belgium and Fluxys LNG and the results are published on the website: https://www.fluxys.com/en/company/fluxys-belgium/management-governance

Corporate Governance Declaration

Fluxys Belgium has adopted the 2009 Belgian Code on Corporate Governance (the 2009 Code) as its benchmark code of conduct. Fluxys Belgium is also subject to legislation on corporate governance contained in the Act of 12 April 1965 on the transmission of gaseous and other products via pipeline, as subsequently amended (the Gas Act), and European Directive 2009/73/EC concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC (the Directive). Details of the legislation applied by Fluxys Belgium can be found online:

- the 2009 Code: www.corporategovernancecommittee.be;
- the Gas Act: www.just.fgov.be (in French and Dutch);
- the Directive: www.eur-lex.europa.eu

Fluxys Belgium does not apply the 2009 Code rules on the term of directorships. Members of the Board of Directors are appointed for a six-year term rather than the four years advocated by Article 4.6 of the 2009 Code. However, this term is justified in light of the technical, financial and legal particularity and complexity of the tasks and responsibilities entrusted to the natural gas system operator.

As of 2020, Fluxys Belgium will make the relevant adjustments to comply with the new Code of Companies and Associations and the 2020 Belgian Code on Corporate Governance.

Changes in the composition of the Board of Directors in 2019

At the Annual General Meeting held on 12 May 2019, Christian Viaene's directorship was renewed until 30 November 2019. The independent directorships of Valentine Delwart and Sandra Wauters were renewed for a six-year period, until after the 2025 Annual General Meeting.

The same meeting voted to confirm the permanent appointment of Sabine Colson, who had been co-opted by the Board of Directors' meeting held on 26 September 2018 with effect from 1 October 2018, as an independent company director, until after the 2024 Annual General Meeting.

In addition, the General Meeting held on 12 May 2019 decided to appoint Laurence Bovy and Sandra Gobert as independent directors for a six-year period, replacing Marianne Basecq and Monique Lievens respectively. Their directorships will expire following the 2025 Annual General Meeting.

Hélène Deslauriers resigned as an independent director with effect from 30 June 2019. Following the recommendation of the Appointment and Remuneration Committee and the Corporate Governance Committee, the Board of Directors held on 26 June 2019 co-opted Roberte Kesteman as an independent director with effect from 1 July 2019, taking over Hélène Deslauriers's directorship until after the 2023 Annual General Meeting. A decision on her permanent appointment will be made at the General Meeting held on 12 May 2020.

The Board of Directors co-opted Koen Van den Heuvel as a director on 29 January 2020, with effect from 1 December 2019, for a six-year term that will expire after the end of the 2025 Annual General Meeting. Again, a decision on his permanent appointment will be made at the General Meeting held on 12 May 2020.

The procedure for renewing directorships and new appointments by the Appointment and Remuneration Committee and the Corporate Governance Committee was complied with. Directorships are remunerated in accordance with the principles laid down in the Articles of Association and the Corporate Governance Charter.

Rules governing the appointment and replacement of members of the Board of Directors and amendments to the Articles of Association

Appointment and replacement of directors

Directors are appointed by the General Meeting for no more than six years and can be dismissed by this body.

Articles 11 and 12 of the Articles of Association stipulate that the company shall be managed by a Board of Directors comprising non-executive directors appointed for a maximum term of six years and who may be dismissed by the General Meeting. The directorships of outgoing directors who have not been re-elected shall expire immediately after the Annual General Meeting. In the event that one or more directorships remain vacant, the remaining directors may, by a simple majority of votes, temporarily fill the vacancy. In such cases, the General Meeting shall make the permanent appointment or appointments at its first meeting thereafter. Where a directorship becomes vacant prior to routine expiry of a directorship, the replacement director appointed shall serve out the rest of the term in question.

Amendments to the Articles of Association

The company's Articles of Association may be amended by the Annual General Meeting; any amendments made must be published in the Belgian Official Gazette. Deliberation and decisions regarding amendments to the Articles of Association are only valid if at least half of the group's share capital is represented at the General Meeting. No amendment shall be permitted unless it is passed by three quarters of the votes.

Board of Directors

Composition of the Board of Directors

Article 11 of the company's Articles of Association stipulates that the Board of Directors shall comprise no fewer than three and no more than 24 non-executive directors, excluding one or more federal government representatives.

In order to comply with the provisions of the Gas Act, at least one third of directors must be independent within the meaning of the Gas Act. They are chosen partly on the basis of their financial management skills and partly for their useful technical knowledge and in particular their relevant knowledge of the energy sector.

One third of directors must be of a different gender from the other two thirds. At least half of the directors must be fluent in French and half in Dutch.

In addition, the golden share grants the federal Energy Minister the right to appoint two representatives of the federal government to the Board of Directors.

Directors of the company may not simultaneously be members of the supervisory board, board of directors or bodies legally representing the undertaking, of an undertaking active in the production or supply of natural gas and may not exercise any rights over such an undertaking.

Directors

Daniël Termont, Chairman of the Board of Directors and Vice-Chairman of the Strategy Committee
Daniël Termont is a member of the Board of Directors of Publigas. He was appointed a director in May 1998 following his nomination by Publigas, and his current term of office will expire at the Annual General Meeting in May 2021.

Claude Grégoire, Director, Vice-Chairman of the Board of Directors and Chairman of the Strategy Committee
Claude Grégoire is a qualified civil engineer. He was appointed a director in October 1994 following his nomination by Publigas. His current term of office will expire at the Annual General Meeting in May 2024.

Jos Ansoms, Director
Jos Ansoms holds a degree in political and social sciences from KU Leuven. He has been Chairman of Intermixt, Iveka and IGEAN and Vice-Chairman of Eandis, among other roles. For 23 years he was a member of the lower house of the Belgian federal parliament, the House of Representatives, during which time he for example chaired the Business and Energy Committee. He was appointed a director in May 2016 following his nomination by Publigas, and his current term of office will expire at the Annual General Meeting in May 2022.

Patrick Côté, Director
Patrick Côté graduated from HEC Montréal with a business degree, specialising in professional accounting. He holds CPA (Chartered Professional Accountant) and CMA (Certified Management Accountant) certification. He is currently Senior Director of Infrastructure Investments at Caisse de dépôt et placement du Québec (CDPQ). Since 2008, through his work at CDPQ, he has been involved in multiple transactions in the energy and transport sectors. Following his nomination by CDPQ, Patrick was co-opted as a director by the Board of Directors with effect from 1 January 2017, and his current term of office will expire at the Annual General Meeting in May 2023.

Andries Gryffroy, Director

Andries Gryffroy is a qualified industrial electromechanical engineer and holds a Master's degree in marketing. He took a number of additional training courses in the energy sector and worked in a range of positions in that sector before founding his own engineering firm specialising in energy projects. He recently sold his company and is now a consultant in technology and energy. He is also the Chairman of Publigas, a member of the Flemish Parliament and a federated entity senator. He was appointed a director in May 2015 following his nomination by Publigas, and his current term of office will expire at the Annual General Meeting in May 2021.

Luc Hujoel, Director

Luc Hujoel holds a Master's degree in economics. He is the General Manager of Interfin and a director and Secretary General at Publigas. He was appointed a director in May 2009 following his nomination by Publigas, and his current term of office expires at the Annual General Meeting in May 2021.

Ludo Kelchtermans, Director, Chairman of the Audit Committee

Ludo Kelchtermans holds a degree in economics and is CEO of Nutsbedrijven Houdstermaatschappij (Nuhma). He is a director at several companies and chairman of Aspiravi's audit committee. He was appointed a director in June 2012 following his nomination by Publigas. His current term of office will expire at the Annual General Meeting in May 2020.

Renaud Moens, Director

Renaud Moens has a degree in business from ULB's Solvay Business School. He is the General Manager of the intermunicipal company IGRETEC and a director at Sambrinvest, Sonaca and SOCOFE. He was co-opted as a director by the Board of Directors on 24 September 2014 following his nomination by Publigas, and his current term of office will expire at the Annual General Meeting in May 2022.

Josly Piette, Director
Josly Piette holds degrees in industrial sociology and economic and social sciences. He is Honorary General Secretary of the Confédération des Syndicats Chrétiens (Confederation of Christian Trade Unions) and a director at SOCOFE and Publigas. He was appointed a director in June 2009 following his nomination by Publigas. His current term of office will expire at the Annual General Meeting in May 2020.

Koen Van den Heuvel, Director (since 1 December 2019)
Koen Van den Heuvel holds a degree in economics and political science. As a member of Puurs Municipal Council since 1989, for five years he served as the Alderman for Youth, Culture and Finance. In 1997, he became Mayor of Puurs, and since 1997 he has been the mayor of the merged municipality of Puurs-Sint-Amands. Since 2004, he has been a member of the Flemish Parliament, and led his parliamentary group there from 2012 to 2019. In 2019, he was the Flemish Minister for the Environment, Nature and Agriculture. He was co-opted as a director, with effect from 1 December 2019, at the Board of Directors' meeting held on 29 January 2019. A vote on his permanent appointment will be taken at the Annual General Meeting on 12 May 2020, with his term of office expiring at the Annual General Meeting in May 2025.

Geert Versnick, Director
Geert Versnick has a law degree from Ghent University. He has also participated in study programmes from GUBERNA, the International Institute for Management Development (IMD) and INSEAD. He was a lawyer at the Ghent Bar from 1980 until the end of 2000 and active in politics from 1989 to 2017. He holds a number of directorships in both the private and public sectors. He was appointed a director by the Annual General Meeting in May 2018 with effect from 3 October 2018, following his nomination by Publigas, and his current term of office will expire at the Annual General Meeting in May 2024.

Christian Viaene, Director, Chairman of the Appointment and Remuneration Committee (until 30 November 2019)
Christian Viaene is a commercial engineer and holds a degree in applied economics. He is General Manager of the Brabant intermunicipal gas and electricity companies and was the Secretary General at Publigas until 30 November 2019. He was appointed a director in March 2005 following his nomination by Publigas, and his term of office expired on 30 November 2019.

Luc Zabeau, Director
Luc Zabeau is a commercial engineer and holds a degree in commercial and financial sciences. He joined Sibelga in 2003, where he headed up the Finance Department until late 2018. He is currently the CFO of Interfin. He was appointed a director in June 2009 following his nomination by Publigas. His current term of office will expire at the Annual General Meeting in May 2023.

Independent directors under the provisions of the Gas Act

Marianne Basecq, Director (until 14 May 2019)
Marianne Basecq holds a degree in business administration, following this up with additional studies in public administration law. She is a General Advisor for the holding company SOCOFE NV/SA. She was appointed an independent director in May 2007 following her nomination by Publigas, and her most recent term of office expired at the Annual General Meeting in May 2019.

Laurence Bovy, Director (since 14 May 2019)
Laurence Bovy holds a Master's degree in public and administrative law from the Université Libre de Bruxelles (ULB). She also studied at the Institute of Directors in London and followed various programmes in public procurement and banking law. She is currently CEO of the bi-regional intermunicipal company VIVAQUA and a member of the Board of Governors of the King Baudouin Foundation and the Board of Directors of the Federal Holding and Investment Company (SFPI-FPIM). She was appointed an independent director in May 2019 following her nomination by the Board of Directors and the recommendation of the relevant advisory committees. Her current term of office will expire at the Annual General Meeting in May 2025.

Sabine Colson, Director
Sabine Colson has a degree in business and finance from HEC Liège. She completed a GUBERNA Certified Director course and holds a university certificate in innovation management from UCLouvain. She is currently Investment Manager at GIMW. Following the recommendation of the relevant advisory committees, she was co-opted as an independent director by the Board of Directors with effect from 1 October 2018. Her current term of office will expire at the Annual General Meeting in May 2024.

Valentine Delwart, Director
Valentine Delwart holds a degree in law and a Master's degree in European law. She is Alderwoman for Finance in Uccle and has been General Secretary of the French-speaking liberal party Mouvement Réformateur since March 2011. She was appointed an independent director in May 2013 following her nomination by the Board of Directors and the recommendation of the relevant advisory committees. Her term of office will expire at the Annual General Meeting in May 2025.

Hélène Deslauriers, Director (until 30 June 2019)
Hélène Deslauriers studied law at the Université de Montréal and then earned an LL.M from University College London. She is a retired member of the Bar of Quebec. She was Vice President at Bombardier Transportation for 13 years. She was appointed an independent director in May 2011 following her nomination by the Board of Directors and the recommendation of the relevant advisory committees. She resigned with effect from 30 June 2019.

Sandra Gobert, Director (since 14 May 2019)
Sandra Gobert holds a degree in law from the Vrije Universiteit Brussel (VUB). She has taken the GUBERNA training courses and is a GUBERNA-certified director. She has been a member of the Brussels Bar since 1992, specialising in corporate law and corporate governance, and has held directorships since 1991. In early 2019, she was appointed Executive Director of GUBERNA, where she has been a member of the Board of Directors since 2016. She is also a partner in Sub Rosa Legal. She was appointed an independent director in May 2019 following her nomination by the Board of Directors and the recommendation of the relevant

advisory committees. Her directorship will expire at the Annual General Meeting in May 2025.

Roberte Kesteman, Director (since 1 July 2019)
Roberte Kesteman holds a Master's degree in Applied Economics from the Flemish School of Higher Education in Economics (VLEKHO). She also studied International Corporate Finance at INSEAD in France. She is currently Senior Advisor at First State Investments International, an independent director at Elia Transmission Belgium, Elia Asset and Elia Group, while also being a member of the Audit Committee and the Remuneration Committee. She was co-opted as an independent director with effect from 1 July 2019 following her nomination by the Board of Directors' meeting held on 26 June 2019 and the recommendation of the relevant advisory committees. A vote on her permanent appointment will be taken at the Annual General Meeting on 12 May 2020, with her term of office expiring at the Annual General Meeting in May 2023.

Monique Lievens, Chairman of the Corporate Governance Committee (until 14 May 2019)
Monique Lievens holds a degree in economics, majoring in business economics. She is Human Resources Advisor at the National Bank of Belgium and was appointed an independent director in May 2007 following her nomination by Publigas. Her term of office expired at the Annual General Meeting in May 2019.

Anne Leclercq, Director
Anne Leclercq holds a Master's degree in law and an MBA from Vlerick Business School. Many years working in both the banking sector and as Director of Treasury and Capital Markets at the Belgian Debt Agency (the agency in charge of the operational management of the debt of the Belgian federal government) have provided her with a wealth of financial expertise and management experience. Until mid-2019, Anne chaired a sub-committee of the European Union's Economic and Financial Committee comprising debt managers from the various EU Member States. She is currently a director at Argenta Bank en Verzekeringen, WDP (Warehouses De Pauw), Z.org, Plexus (Regional Hospital Network) and KU Leuven/UZ Leuven, where she is also Chairman of the Audit Committee. She was appointed an independent director at Fluxys in May 2018

following her nomination by the Board of Directors and the recommendation of the relevant advisory committees. Her current term of office will expire at the Annual General Meeting in May 2024.

Walter Nonneman, Director
Walter Nonneman is an emeritus professor of economics at the University of Antwerp and has held management and board positions in the private, non-profit and public sectors. He holds a PhD in applied economics from UFSIA in Antwerp and also studied at the Harvard Graduate School of Business Administration. Walter was appointed an independent director in May 2009 following his nomination by the Appointment and Remuneration Committee. His current term of office will expire at the Annual General Meeting in May 2021.

Sandra Wauters, Director
Sandra Wauters holds a PhD in chemical engineering from Ghent University. She is currently Energy and Climate Policy Manager at BASF Antwerp, where she is in charge of coordinating energy and climate-related matters. She was appointed an independent director in May 2013 following her nomination by the Board of Directors and the recommendation of the relevant advisory committees. Her term of office will expire at the Annual General Meeting in May 2025.

Federal government representatives

François Fontaine

François Fontaine holds degrees in law and tax law. He is a General Advisor with the Federal Holding and Investment Company (SFPI-FPIM). He was appointed a Francophone federal government representative by the Minister of Energy on 4 February 2009 with the specific responsibilities detailed in the Acts of 26 June 2002 and 29 April 1999 and in the Royal Decrees of 16 June 1994 and 5 December 2000, as set out in Article 21 of the Articles of Association and in the Corporate Governance Charter. François's term of office as a federal government representative on the Board of Directors at Fluxys Belgium was renewed by the Royal Decree of 14 December 2012, which came into force on 14 January 2013.

The federal government representative attends meetings of the Board of Directors and the Strategy Committee in an advisory capacity.

Presence of the Chairman of the Executive Board

In 2019, as Chairman of the Executive Board, Pascal De Buck was routinely invited to attend meetings of the Board of Directors and the advisory committees in an advisory capacity.

Secretariat

Nicolas Daubies, Company Secretary and Group General Counsel, acts as secretary to the Board of Directors.

Activity report

Issues examined

The members of the Board of Directors seek to adopt decisions by consensus. The Board mainly addressed the following issues:

- The strategy of Fluxys Belgium
- The 2019 budget
- The 10-year investment programme (2019-2028)
- The Medium-Term Plan
- The HSEQ policy
- Risk management
- The preparation of the company's annual and half-yearly accounts and those of its subsidiaries, as well as associated press releases
- The drafting of the annual financial report for the financial year 2018 and the half-yearly financial report as at 30 June 2019
- Projects and research into projects related to the continuing development of the group's activities in Belgium, including:
    - market integration projects;
    - evolution of transmission services;
    - pipeline projects between Kraainem and Haren;
    - projects linked to the energy transition, in particular biogas and hydrogen projects;
    - L-gas to H-gas conversion;
    - construction of the fifth LNG storage tank in Zeebrugge;
    - winter analysis;
    - future vision for storage
- Changes in the legal and regulatory framework, including tariffs, developments in tariff discussions, and 2020-2023 tariff preparations
- Keeping abreast of developments in disputes and legal action brought in order to safeguard the company's interests
- The energy mix and the inter-federal energy pact

- The role of natural gas in Belgium's future energy system and in the energy transition
- Election memorandum
- Information sessions for the municipalities
- The new Code of Companies and Associations and the 2020 Belgian Code on Corporate Governance
- Commercial activities and the operation of the network and the LNG terminal (including the open season for LNG capacities)
- Convening the Annual General Meeting
- Changes in the composition of the Board of Directors and the advisory committees
- The appointment of a new Chief Financial Officer
- Examination of reports by the Strategy Committee, the Audit Committee, the Appointment and Remuneration Committee and the Corporate Governance Committee
- Examination of the report of the Board of Directors of Fluxys LNG
- The procedure for evaluating the Board of Directors and the committees
- The selection procedure for the statutory auditor, under the supervision of the Audit Committee

Operation

The Board of Directors may only deliberate and adopt decisions when at least half of the directors are either present or represented. Decisions made by the Board of Directors are taken by a simple majority of votes cast by directors present or represented. In 2019, the Board of Directors took all of its decisions by unanimous vote of the directors present or represented.

Frequency of meetings and attendance levels

The Board of Directors met seven times in 2019 and, on one occasion, took a decision with unanimous written agreement of the directors, in accordance with its internal rules of procedure. Director attendance at Board of Directors' meetings in 2019 was as follows:

	Attendance
Daniël Termont	7 out of 7 meetings
Claude Grégoire	7 out of 7 meetings
Jos Ansoms	7 out of 7 meetings
Marianne Basecq	2 out of 3 meetings
Laurence Bovy	3 out of 4 meetings
Sabine Colson	7 out of 7 meetings
Patrick Côté	7 out of 7 meetings
Valentine Delwart	6 out of 7 meetings
Hélène Deslauriers	3 out of 4 meetings
Sandra Gobert	4 out of 4 meetings
Andries Gryffroy	5 out of 7 meetings
Luc Hujoel	5 out of 7 meetings
Ludo Kelchtermans	6 out of 7 meetings
Roberte Kesteman	3 out of 3 meetings
Anne Leclercq	6 out of 7 meetings
Monique Lievens	3 out of 3 meetings
Renaud Moens	7 out of 7 meetings
Walter Nonneman	7 out of 7 meetings
Josly Piette	5 out of 7 meetings
Geert Versnick	6 out of 7 meetings
Christian Viaene	6 out of 7 meetings
Sandra Wauters	7 out of 7 meetings
Luc Zabeau	7 out of 7 meetings

Committees formed by the Board of Directors

Strategy Committee

Composition of the Strategy Committee

The Strategy Committee comprises nine non-executive directors, of whom at least one third must be independent within the meaning of the Gas Act.

Chairman

Claude Grégoire

Vice-Chairman

Daniël Termont, Chairman of the Board of Directors

Members

- Jos Ansoms
- Patrick Côté
- Valentine Delwart*
- Luc Hujoel
- Walter Nonneman*
- Koen Van den Heuvel (since 1 December 2019)
- Christian Viaene (until 30 November 2019)
- Sandra Wauters*

* Independent directors under the provisions of the Gas Act

Federal government representative acting in an advisory capacity

François Fontaine

Invited in an advisory capacity

- In 2019, as Chairman of the Executive Board, Pascal De Buck was routinely invited to attend meetings of the Strategy Committee.
- Andries Gryffroy, Director

Secretariat

Nicolas Daubies, Company Secretary and Group General Counsel, acts as secretary to the Strategy Committee.

Issues examined

The Strategy Committee was set up within the Board of Directors in accordance with Article 17.3 of the Articles of Association. It has no decision-making powers but is responsible for providing an opinion on the items to be submitted to the Board of Directors for approval in accordance with the applicable legal, regulatory and statutory provisions. Within this framework, the Strategy Committee also monitors implementation of the Board of Directors' decisions. The members of the Strategy Committee seek to adopt decisions by consensus. In 2019, the Strategy Committee addressed the following issues, among others:

- The strategy of Fluxys Belgium
- The 10-year investment programme (2020-2029)
- The 2020 budget
- The Medium-Term Plan
- The HSEQ policy
- Projects and research into projects related to the continuing development of the group's activities in Belgium, including:
    - market integration projects;
    - evolution of transmission services;
    - pipeline projects between Kraainem and Haren;
    - L-gas to H-gas conversion;
    - construction of the fifth LNG storage tank in Zeebrugge;
    - winter analysis;
    - projects linked to the energy transition, in particular biogas and hydrogen projects;
    - future vision for storage
- Changes in the legal and regulatory framework, including tariffs, developments in tariff discussions, and 2020-2023 tariff preparations

- Progress of disputes and legal action brought in order to safeguard the company's interests
- The energy mix and the Inter-Federal Energy Pact
- The role of natural gas in Belgium's future energy system and in the energy transition
- Election memorandum
- Commercial activities and the operation of the network and the LNG terminal (including the open season for LNG capacities, CSA contract)
- Information relating to operation and safety

Operation

Strategy Committee proposals are adopted by a simple majority of votes cast by those members present or represented, in line with their assigned powers. In 2019, the Strategy Committee adopted all of its proposals by unanimous vote of the members present or represented. For detailed information on how the Strategy Committee works, please consult Annex IV of the Corporate Governance Charter – Strategy Committee Rules of Internal Procedure (https://www.fluxys.com/en/company/fluxys-belgium/management-governance).

Frequency of meetings and attendance levels

The Strategy Committee met eight times in 2019. Director attendance at Strategy Committee meetings in 2019 was as follows:

	Attendance
Claude Grégoire	7 out of 8 meetings
Daniël Termont	7 out of 8 meetings
Jos Ansoms	8 out of 8 meetings
Patrick Côté	8 out of 8 meetings
Valentine Delwart	5 out of 8 meetings
Andries Gryffroy	6 out of 8 meetings
Luc Hujoel	7 out of 8 meetings
Walter Nonneman	7 out of 8 meetings
Christian Viaene	5 out of 7 meetings
Sandra Wauters	8 out of 8 meetings

Audit Committee

Composition of the Audit Committee

The Audit Committee comprises seven non-executive directors, the majority of whom must be independent. The Audit Committee has collective expertise in the company's area of activity and at least one independent director has the required expertise in accounting and auditing.

Chairman

Ludo Kelchtermans

Members

- Marianne Basecq* (until 14 May 2019)
- Laurence Bovy* (until 14 May 2019)
- Sabine Colson*
- Patrick Côté
- Anne Leclercq*
- Renaud Moens
- Sandra Wauters*

* Independent directors under the provisions of the Gas Act

Secretariat

Nicolas Daubies, Company Secretary and Group General Counsel, acts as secretary to the Audit Committee.

Accounting and auditing expertise of the independent directors on the Audit Committee

Laurence Bovy

She has experience of audit committees and appointment and remuneration committees, specifically at the National Railway Company of Belgium (SNCB), finance.brussels and the SFPI-FPIM.

Sabine Colson

- She holds a degree in business and finance from HEC Liège and has been an audit manager at PwC.
- She has experience of audit committees and appointment and remuneration committees.
- She is a director of various companies, primarily in the environmental and renewable energies sector.

Anne Leclercq

- She holds a Master's degree in law and an MBA from Vlerick Business School.
- Many years working in the financial sector have provided her with a wealth of financial expertise and management experience.
- She has extensive market knowledge and insight into the key drivers of change in financial markets, such as changes in regulations and economic factors.
- Until 31 July 2019, she was Director of Treasury and Capital Markets at the Belgian Debt Agency.

Sandra Wauters

- She has a PhD in chemical engineering.
- In her operations role at BASF Antwerp, she has acquired experience of HAZOP studies and technical risk assessments.

Issues examined

The Audit Committee was set up within the Board of Directors to assist this body. It has the powers assigned to an audit committee by law as well as any other powers that may be assigned to it by the Board of Directors. The members of the Audit Committee seek to adopt decisions by consensus. In 2019, the Committee mainly addressed the following issues:

- The company's accounts as at 31 December 2018 and 30 June 2019 as well as the associated press releases (financial part)
- The annual financial report for the financial year 2018 and the half-yearly report as at 30 June 2019
- The principles governing the closing of accounts
- Examination of the auditor's work and schedule
- Examination of the internal control and risk management system
- Goals, schedule and activities of the internal audit in 2019
- The internal audit schedule for 2020
- Follow-up on the recommendations made in the wake of the internal audit in 2018
- Presentation of the 2018 data sheets of Fluxys Belgium's subsidiaries
- Risk management
- Selection procedure for the auditor
- ICT security
- Adoption of the updated Internal Audit Charter
- Confirmation to the Audit Committee of the independence of the internal audit

Operation

Decisions by the Audit Committee are adopted by a simple majority of votes cast by those members present or represented, in line with their assigned powers. In 2019, the Audit Committee took all of its decisions by unanimous vote of the members present or represented. For detailed information on how the Audit Committee works, please consult Annex II of the Corporate Governance Charter – Audit Committee Rules of Internal Procedure (https://www.fluxys.com/en/company/fluxys-belgium/management-governance).

Frequency of meetings and attendance levels

The Audit Committee met five times in 2019. Director attendance at Audit Committee meetings in 2019 was as follows:

	Attendance
Ludo Kelchtermans	5 out of 5 meetings
Marianne Basecq	3 out of 3 meetings
Laurence Bovy	1 out of 2 meetings
Sabine Colson	5 out of 5 meetings
Patrick Côté	5 out of 5 meetings
Anne Leclercq	5 out of 5 meetings
Renaud Moens	5 out of 5 meetings
Sandra Wauters	4 out of 5 meetings

Appointment and Remuneration Committee

Composition of the Appointment and Remuneration Committee

The Appointment and Remuneration Committee comprises seven non-executive directors, the majority of whom must be independent. The committee has the required expertise in remuneration policy.

Chairman

Christian Viaene (until 30 November 2019)

Luc Hujoel (since 1 December 2019)

Members

- Marianne Basecq* (until 14 May 2019)
- Laurence Bovy* (since 14 May 2019)
- Valentine Delwart*
- Hélène Deslauriers* (until 30 June 2019)
- Luc Hujoel (until 30 November 2019)
- Roberte Kesteman* (since 1 July 2019)
- Walter Nonneman*
- Koen Van den Heuvel (since 1 December 2019)
- Geert Versnick

* Independent directors under the provisions of the Gas Act

Secretariat

Anne Vander Schueren, HR Director, acts as secretary to the Appointment and Remuneration Committee.

Issues examined

The Appointment and Remuneration Committee was set up within the Board of Directors to assist it in all matters concerning the appointment and remuneration of directors and members of management. It has the powers assigned to a remuneration committee by law as well as any other powers that may be assigned to it by the Board of Directors. In 2019, the Appointment and Remuneration Committee mainly addressed the following issues:

- The compilation of the draft remuneration report
- The compilation of the opinion for the Board of Directors concerning the appointment and renewal of the term of office of (independent) directors
- The appointment of a new Chief Financial Officer
- The preparation of the objectives for the Chairman and members of the Executive Board
- The preparation of the evaluation of the Chairman and members of the Executive Board
- The compilation of recommendations on the remuneration of the Chairman of the Executive Board (fixed and variable remuneration)
- The compilation of recommendations on the remuneration of the other members of the Executive Board (fixed and variable remuneration) following a proposal by the Chairman of the Executive Board
- The state of progress regarding the company targets for 2019

Operation

Decisions by the Appointment and Remuneration Committee are adopted by a simple majority of votes cast by those members present or represented, in line with their assigned powers. The members of the Appointment and Remuneration Committee seek to adopt decisions by consensus. In 2019, the Appointment and Remuneration Committee took all of its decisions by unanimous vote of the members present or represented. For detailed information on how the Appointment and Remuneration Committee functions, please consult Annex III of the Corporate Governance Charter – Appointment and Remuneration Committee Rules of Internal Procedure (https://www.fluxys.com/en/company/fluxys-belgium/management-governance).

Frequency of meetings and attendance levels

The Appointment and Remuneration Committee met five times in 2019 and, on one occasion, took a decision with unanimous written agreement of the directors, in accordance with the internal rules of procedure. Director attendance at Committee meetings in 2019 was as follows:

	Attendance
Christian Viaene	5 out of 5 meetings
Marianne Basecq	2 out of 2 meetings
Laurence Bovy	2 out of 3 meetings
Valentine Delwart	4 out of 5 meetings
Hélène Deslauriers	2 out of 3 meetings
Luc Hujoel	5 out of 5 meetings
Roberte Kesteman	2 out of 2 meetings
Walter Nonneman	5 out of 5 meetings
Geert Versnick	4 out of 5 meetings

Corporate Governance Committee

Composition of the Corporate Governance Committee

The Corporate Governance Committee comprises seven non-executive directors, of whom at least two thirds must be independent under the provisions of the Gas Act.

Chairman

- Monique Lievens* (until 14 May 2019)
- Sabine Colson* (since 14 May 2019)

Members

- Sabine Colson* (until 14 May 2019)
- Valentine Delwart*
- Hélène Deslauriers* (until 30 June 2019)
- Sandra Gobert* (since 14 May 2019)
- Roberte Kesteman* (since 1 July 2019)
- Anne Leclercq*
- Josly Piette
- Luc Zabeau

* Independent directors under the provisions of the Gas Act

Secretariat

Nicolas Daubies, Company Secretary and Group General Counsel, acts as secretary to the Corporate Governance Committee.

Issues examined

The Corporate Governance Committee was set up within the Board of Directors in order to carry out the tasks conferred upon it by the Gas Act. The members of the Corporate Governance Committee seek to adopt decisions by consensus. In 2019, the Corporate Governance Committee mainly addressed the following issues:

- Preparation of the 2018 annual report by the Corporate Governance Committee, drafted on the basis of Article 8/3 section 5(3) of the Gas Act
- The opinion on the appointment or reappointment of independent directors
- The appointment of a new Chief Financial Officer

Operation

Decisions by the Corporate Governance Committee are adopted by a simple majority of votes cast by those members present or represented, in line with their assigned powers. In 2019, the Corporate Governance Committee took all of its decisions by unanimous vote of the members present or represented. For detailed information on how the Corporate Governance Committee works, please consult Annex I of the Corporate Governance Charter – Corporate Governance Committee Rules of Internal Procedure (https://www.fluxys.com/en/company/fluxys-belgium/management-governance).

Frequency of meetings and attendance levels

The Corporate Governance Committee met three times in 2018 and on two occasions took a decision with unanimous written agreement of the directors, in accordance with the internal rules of procedure. Director attendance at Corporate Governance Committee meetings in 2019 was as follows:

	Attendance
Monique Lievens	2 out of 2 meetings
Sabine Colson	3 out of 3 meetings
Valentine Delwart	2 out of 3 meetings
Hélène Deslauriers	0 out of 2 meetings
Sandra Gobert	1 out of 1 meetings
Roberte Kesteman	1 out of 1 meetings
Anne Leclercq	2 out of 3 meetings
Josly Piette	2 out of 3 meetings
Luc Zabeau	3 out of 3 meetings

Evaluation of the Board of Directors and the advisory committees

The Corporate Governance Charter stipulates, inter alia, that the Board of Directors, under the leadership of its Chairman, must:

- regularly, and at least once every three years, examine and assess its own efficiency and that of the company's management structure and of its committees (size, composition), in particular the role and tasks of the various committees of the Board of Directors;
- examine annually how it interacts with the Executive Board, in the absence of the Chairman of the Executive Board;
- regularly examine and assess the contribution made by each director, so as to be able to adjust the composition of the Board of Directors to changing circumstances and within the framework of the reappointment process.

The evaluation of the Board of Directors and the advisory committees took place in 2020 and pertains to 2019.

For example, the Board of Directors conducted an evaluation based on both a questionnaire completed by all members individually as well as a report from an external advisor who had studied the efficiency of Fluxys Belgium's Board of Directors, its individual members and the effectiveness of its committees.

The questionnaire covered the following subjects:

- the operation of the Board of Directors and its committees (e.g. number and frequency of meetings, quorum, pertinence of agenda items, course of the meetings, quality of the reports);
- whether the Board of Directors can fully play its role and whether the key issues were being sufficiently prepared and appropriately handled;
- assessment of interaction between non-executive directors and management (flow of information, supervision, etc.);

- assessment of the actual contribution of each director (e.g. attendance at meetings, training, knowledge of mission and responsibility);
- whether the composition of the Board of Directors is suitable (e.g. number, complementary skills, representation of shareholders).

The external advisor performed the study based on company documents (Articles of Association, charter, invitations, preparatory documents for meetings, minutes, evaluation forms of individual directors, etc.) and supplementary explanations.

The responses to the questionnaires showed that, overall, the members of the Board of Directors were satisfied to very satisfied with the interaction between the Board of Directors and its committees. The investigation demonstrated that the Board of Directors and its committees were able to perform their tasks adequately and in an appropriate manner.

Company management in 2019

Composition of the Executive Board

The Executive Board of Fluxys Belgium comprises no more than six members, including one chairman.

- Pascal De Buck, Chairman of the Executive Board and Chief Executive Officer
- Arno Büx, member of the Executive Board and Chief Commercial Officer
- Christian Leclercq, member of the Executive Board and Chief Financial Officer (since 1 January 2020)
- Paul Tummers, member of the Executive Board and Chief Financial Officer (until 30 June 2019)
- Peter Verhaeghe, member of the Executive Board and Chief Technical Officer

Nicolas Daubies, Company Secretary and Group General Counsel, acts as secretary to the Executive Board.

Issues examined

The Executive Board is responsible for the operational and day-to-day management of the company, including managing commercial, technical, financial, regulatory and HR aspects. It meets as often as it deems necessary and in any case weekly, unless hindered in some way. The Chairman convenes the members and any guests and sets the agenda. In 2019 – in addition to the matters submitted to the Board of Directors (see page 189) – the Executive Board focused on the following issues:

- **Strategy:** green gas, hydrogen and natural gas's place in the energy mix, Corporate & Employer Branding and social media
- **Commercial activities:** monitoring changes in traded volumes and liquidity on the gas trading places, monitoring changes in capacity sales, analysing the competitiveness of services, developing a long-term vision for gas storage, purchasing gas to balance the network, upgrading of infrastructure, injecting green gas

- **Finance:** annual and half-yearly financial results, efficient cost management, audit policy, monitoring subsidy applications, ensuring sustainable finance, drafting and monitoring the budget
- **Legal and regulatory framework:** monitoring and implementation of the European Network Codes, tariff methodology, tariff comparison, monitoring of amendments to the financial and company legislation, CSR and the Code of Ethics
- **Infrastructure and operations:** monitoring of infrastructure works, network safety, analysis of incidents, near-incidents and occupational accidents, investment projects, orders, obtaining the appropriate permits for investment projects or operating activities, status of the decommissioning of pipelines, transfer of the ownership of land or subsurfaces, programme to address the issue of pipelines laid at insufficient depth
- **HR policy:** competency management, social team building, efficiency, tracking progress made with regard to the company's objectives
- Monitoring of the activities of subsidiaries and related associations
- Preparation of dossiers for the Board of Directors and the various committees

Remuneration report

Board of Directors: Procedures, principles and remuneration

Remuneration policy

The remuneration policy applicable to Fluxys Belgium directors is devised as follows: the Appointment and Remuneration Committee comes up with recommendations for the Board of Directors, and the Board of Directors then submits its proposed remuneration policy to the directors. The remuneration policy is then approved by the General Meeting.

Remuneration level

During the previous financial year, Fluxys Belgium set the directors' remuneration at the same level as the previous financial year in line with the principles outlined in the Articles of Association and the Corporate Governance Charter.

The General Meeting has set the total annual remuneration for directors and government representatives at a maximum of €360,000 (subject to indexation) as at 1 July 2007 (or €446,304.64 as at 31 December 2019). The Board of Directors distributes the amount of overall remuneration determined between all directors on the basis of the workload their individual roles require within the company. Directors and government representatives also receive an attendance fee of €250 for each Board or committee meeting.

Within the limits of the maximum amount, the following sums are also awarded:

- an index-linked share of €8,000 (as at 1 January 2006) for members of the Board of Directors and the government representative(s), and an additional share for the Chairman of the Board of Directors;
- an additional half share for members of special committees (including for the government representative(s) within the Strategy Committee and directors invited to sit on committees in an advisory capacity) and the Chairman of the Strategy Committee.

Where directors serve for only part of a given year, their remuneration for that year is determined on a pro rata basis.

Directors receive neither performance-related remuneration, such as bonuses or long-term, share-related incentive schemes, nor benefits in kind or pension-plan benefits.

At the end of the first six-month period, directors are paid an advance on their remuneration and attendance fees. This advance is calculated on the basis of the index-linked basic remuneration and in proportion to the duration of the directorship over the six-month period. A final payment (full settlement) is made in December of the year in question.

Directors' remuneration

For their work on Fluxys Belgium's Board of Directors and its various committees, the directors received the following gross remuneration and attendance fees in 2019:

	Gross total (in €)
Daniël Termont	28,989.20
Claude Grégoire (1)	23,891.36
Jos Ansoms	19,043.52
Marianne Basecq	9,236.14
Laurence Bovy (2)	14,405.22
Sabine Colson (3)	24,141.36
Patrick Côté (4)	25,391.36
Valentine Delwart	29,739.20
Hélène Deslauriers	11,361.88
Sandra Gobert	10,928.91
Andries Gryffroy	18,043.52
Luc Hujoel (5)	24,641.36
Ludo Kelchtermans (6)	18,043.52
Roberte Kesteman (7)	11,779.48
Anne Leclercq	23,641.36
Monique Lievens	6,864.61
Renaud Moens (8)	18,293.52
Walter Nonneman	25,141.36
Josly Piette (1)	17,043.52
Geert Versnick (9)	17,543.52
Christian Viaene (10)	22,659.49
Sandra Wauters	24,891.36
Luc Zabeau (5)	17,793.52
François Fontaine	18,543.52
Total	462,051.81

The total amount of €462,051.81 is made up of €390,801.81 in directors' fees and €71,250.00 in attendance fees.

At their request, notification is hereby given that some directors have transferred their remuneration and attendance fees:

(1) These directors transferred their remuneration and attendance fees to SOCOFE (€10,185.88 in the case of Claude Grégoire).
(2) This director transferred her remuneration and attendance fees to VIVAQUA.
(3) This director transferred her remuneration and attendance fees to SRIW Environnement.
(4) This director transferred his remuneration and attendance fees to Caisse de dépôt et placement du Québec.
(5) These directors transferred their remuneration and attendance fees to Interfin.
(6) This director transferred his remuneration and attendance fees to Nuhma.
(7) This director transferred her remuneration and attendance fees to Symvouli.
(8) This director transferred his remuneration and attendance fees to IGRETEC.
(9) This director transferred his remuneration and attendance fees to Flemco.
(10) This director transferred his remuneration and attendance fees to Sibelga.

The representative of the federal government, who attends meetings of the Board of Directors and Strategy Committee in an advisory capacity, is François Fontaine, whose term of office was renewed by the Royal Decree of 14 December 2012, which entered into force on 14 January 2013.[2]

[2] Royal Decree appointing federal government auditors to the Boards of Directors of the relevant operators, as provided for in Article 8/3(1/3) of the Act of 12 April 1965 concerning the transmission of gaseous and other products by pipeline

The members of Fluxys Belgium's Board of Directors held no paid directorships in other Fluxys group companies.

Executive Board: Procedures, principles and remuneration

Remuneration policy

The remuneration policy applicable to the members of Fluxys Belgium's Executive Board is devised as follows: the Appointment and Remuneration Committee comes up with recommendations for the Board of Directors, and the Board of Directors then uses these as a basis for approving the Executive Board's remuneration policy. The Appointment and Remuneration Committee developed a remuneration policy based on external benchmarking via the internationally recognised Hay methodology and submitted it to the Board of Directors. The remuneration policy seeks to establish a fixed basic salary that is proportionate to the level of responsibility and commensurate with a benchmark salary in the general marketplace, and a variable remuneration that rewards personal and company performance.

The members of the Executive Board work for both Fluxys Belgium and its parent company Fluxys. As such, a share of their basic salary and variable remuneration is paid in respect of their activities at Fluxys Belgium, while another share is paid in respect of their activities at Fluxys.

Remuneration level

Basic salary. The change in the basic salary is linked to the position of each member of the Executive Board with respect to a benchmark salary in the general marketplace and the assessment of their individual performance. The Hay methodology (external benchmark) is used to weight each management role and allocate remuneration in line with the going market rate.

Performance-related remuneration. The level of performance-related remuneration received is based on the extent to which company and individual objectives have been achieved. Each year, the company objectives for the years ahead are detailed in a Management Balanced Score Card compiled on the basis of a long-term strategy. The Management Score Card is used to produce individual Balanced Score Cards for each member of the Executive Board. The individual Score Cards are based on collective objectives, personal objectives such as implementation of the investment plan, safety performance and financial performance (some cross-company, some individual) and objectives focusing on company values. The individual Score Cards are used to determine the extent to which each member of the Executive Board has achieved their individual objectives each year.

As regards the variable remuneration for 2019, Fluxys Belgium is covered by the legal derogation from the requirement to spread payment over multiple years, because the on-target variable remuneration of Executive Board members is no more than 25% of the total annual remuneration.

Remuneration of Executive Board members

Setting of remuneration. Chairman of the Executive Board and CEO of Fluxys Belgium Pascal De Buck was evaluated for the year in question by the Board of Directors, following the opinion of the Appointment and Remuneration Committee, based on the extent to which the stipulated objectives were achieved. The Appointment and Remuneration Committee was also given an explanation by Pascal De Buck, Chairman of the Executive Board and CEO of Fluxys Belgium, regarding the evaluation of the other members of the Executive Board in 2019.

The Board of Directors met to decide on the remuneration for the Chairman and members of the company's Executive Board. The Board of Directors:

- approved the performance and activities of Fluxys Belgium for 2019;
- determined the amount of the 2019 variable remuneration for Pascal De Buck as Chairman of the Executive Board and CEO of Fluxys Belgium in 2019, as proposed by the Appointment and Remuneration Committee, and determined the total amount of the 2019 variable remuneration of the other members of the Fluxys Belgium Executive Board, as proposed by Pascal De Buck.

The remuneration awarded to members of the Executive Board comprises:

- a basic salary;
- performance-related remuneration depending on the degree to which the objectives set each year have been achieved (company and individual objectives);
- a defined-contribution pension plan administered in accordance with the rules applicable to companies in the gas and electricity sector;
- other components: expenses to cover insurance and benefits in kind, including gas and electricity sector benefits.

Executive Board members receive neither shares nor share options in the company as part of their basic salary or performance-related pay.

The variable remuneration for the Chairman of the Executive Board is paid partly in cash, with the rest being paid into the group insurance scheme. For the other members of the Executive Board, the variable remuneration is paid entirely in cash.

Remuneration awarded to members of the Executive Board in 2019

Remuneration awarded to Pascal De Buck in his capacity as Chairman of the Executive Board and CEO:	
Basic salary	255,513
Variable remuneration	153,308
Pension	90,245
Other components	17,875
Total	516,941

Remuneration awarded to the other members of the Executive Board: (Arno Büx, Paul Tummers and Peter Verhaeghe)	
Basic salary	469,139
Variable remuneration	169,800
Pension	206,101
Other components	48,738
Total	893,778

As the CFO left Fluxys Belgium on 30 June 2019, the remuneration awarded to the Executive Board includes all the salary components for the CFO recorded until that date, as well as the appropriate legal deductions.

Under the multi-employer contract, the members in question are remunerated partly for services rendered at Fluxys Belgium and partly for services rendered at Fluxys NV/SA. The amounts included in the report only relate to performance within Fluxys Belgium.

Contractual provisions. All members of the Executive Board in 2019 have employee status. Fluxys Belgium applies the relevant legal provisions to their employment contracts. The members of the Executive Board hold offices in other companies within the Fluxys Belgium or Fluxys consolidation scope. They either receive no remuneration for these or transfer any remuneration they do receive to Fluxys Belgium or Fluxys.

If it transpires that a deliberate error has resulted in inaccurate financial data being used as the basis for the variable remuneration, Fluxys Belgium or Fluxys will take the error into account in the evaluation process of the individual concerned in the year in which the error is detected.

Remuneration policy for the next two financial years

There are plans to analyse the directors' remuneration and the introduction of long-term incentives (LTIs) for members of the Executive Board and potentially change these in the next two financial years. There will also be an analysis of the new legal framework's potential impact on the Executive Board.

Voting rights and special powers

The shareholders' meeting represents all shareholders irrespective of their share category. It has extensive powers to perform, execute and ratify the company's business dealings. The valid decisions it makes, based on the required majority, shall be binding on all shareholders, even those who are not present or who do not agree with said decisions.

Each share entitles the holder to one vote. In compliance with the Royal Decree of 16 June 1994, and with the Articles of Association within which these statutory provisions are incorporated, special rights shall be allocated to the golden share held by the Belgian State in Fluxys Belgium in addition to the ordinary rights attached to all other shares. Said special rights are exercised by the federal Energy Minister and, in brief, comprise the following:

- the right to oppose any transfer, assignment as a guarantee, or change in the purpose of Fluxys Belgium's strategic assets (a list of which is appended to the aforementioned Royal Decree of 16 June 1994) if the federal Energy Minister considers that such an operation would adversely affect national interests in the field of energy;
- the right to appoint two representatives of the federal government in an advisory capacity to Fluxys Belgium's Board of Directors and Strategy Committee;

- the right of representatives of the federal government to appeal to the federal Energy Minister within four working days, on the basis of objective, non-discriminatory and transparent criteria (as defined in the Royal Decree of 5 December 2000), against any decision of the Board of Directors or opinion of Fluxys Belgium's Strategy Committee (including the investment and activity plan and the associated budget) which in their view breaches national energy policy guidelines, including the government's national energy supply objectives; such an appeal shall be suspensive; if the federal Energy Minister has not annulled the decision concerned within eight working days after this appeal, the decision shall become definitive;
- a special voting right in the event of deadlock at the General Meeting concerning an issue affecting the objectives of federal energy policy.

The special rights attached to the golden share held by the Belgian State are listed in Articles 11, 15, 17 and 21 of Fluxys Belgium's Articles of Association. These rights remain attached to the golden share for as long as it is held by the Belgian State and Articles 3 to 5 of the Royal Decree of 16 June 1994 granting the State a golden share in Fluxys Belgium or replacement provisions remain in force.

In addition to these statutory special rights, the golden share also confers on its holder the right to receive a portion 100 times greater than that associated with each category-B and category--D share of all dividend payments and all other payments which the company makes to its shareholders.

Limitations on share transfers set by law or the Articles of Association

There are no limitations on the following share transfers:

- transfers of shares, subscription rights, ex-rights or independent rights enabling the purchase of shares (jointly referred to as "securities") between a shareholder and companies associated with that shareholder within the meaning of the Companies Code;
- all transfers of category-D shares.

In all other cases, any shareholder planning to transfer securities to another shareholder or a third party, in any manner whatsoever, shall give all other shareholders, except holders of category-D shares and the golden share, the option of a priority purchase (on a pro rata basis of their shareholding) of the securities relating to the planned transfer, as per the procedures detailed below.

A shareholder planning to transfer shares must inform the company in writing, requesting acknowledgement of receipt, a) of the number of shares they plan to sell, b) of the name of the prospective assignee(s) deemed to be of good faith and the price irrevocably offered by said assignee, and c) that the shares in question are being offered to shareholders for priority purchase under the same conditions. The Board of Directors shall inform the other shareholders of this offer in the same manner within two weeks. Every shareholder shall then have 60 days as from receipt of the aforesaid written notification to inform the transferring shareholder and the company, in writing requesting acknowledgement of receipt, whether or not they shall submit a bid and, if so, of the number of shares they wish to acquire.

If requests exceed the number of shares offered for sale, the Board of Directors shall distribute the shares between the applicants on a pro rata basis of the number of shares held by said applicants and up to the maximum number of shares stated in their request.

In the event that, upon the expiry of the aforementioned period of 60 days, no shareholders have indicated their intention to acquire the shares offered, or where the number of shares requested by the shareholders is less than the number of shares offered, the shareholder who indicated their intention to transfer shares in accordance with the provisions of this article shall be able to complete the planned transfer to the third party indicated in their notification and under the conditions indicated therein.

Transactions and other contractual relations

Directors and members of the Executive Board must take care to comply with all legal and ethical obligations incumbent upon them, in particular with respect to conflicts of interest as per Article 523 of the Belgian Companies Code.

The group's Corporate Governance Charter lays down a procedure for transactions and other contractual relations between directors or members of the Executive Board and the company or its subsidiaries and which do not fall within the scope of Article 523 of the Companies Code.

This procedure is as follows:

- Directors and members of the Executive Board must take care to comply with all legal and ethical obligations incumbent upon them. They must organise their private and business affairs in such a way as to avoid as far as possible any situation in which a personal conflict of interest may arise between themselves and the company or its subsidiaries.
- In the event of any doubt on the part of a director or member of the Executive Board as to whether there is such a conflict of interest, he or she must notify the Chairman of the Corporate Governance Committee accordingly.
- Where there is a personal conflict of interest, the director or member of the Executive Board concerned must, without being asked, withdraw from the Board of Directors' meeting while the matter in question is being discussed and must not take part in the voting, including by proxy, on said matter. Reasons for this abstention must be stated in accordance with the terms of the Companies Code.

- Where there is deemed to be a conflict of interest, the purpose and conditions of the transaction or other contractual relationship must be communicated for information purposes to the Board of Directors by its Chairman. The Board of Directors is also required to approve said purpose and conditions (or refer them to the Board of Directors of the subsidiary concerned for approval) where the total amount of the individual transaction or accumulated transactions over a three-month period is in excess of €25,000.

The Board of Directors was not required to implement the above procedure during the financial year 2019.

Issue or buy-back of shares

Fluxys Belgium's Articles of Association authorise the General Meeting to acquire the company's own shares in accordance with legal provisions. No such decision was taken at the 2019 General Meeting. However, when the company acquires its own shares with a view to distributing them to its staff, no decision by the General Meeting is required.

In the case of a capital increase, the shares for subscription in cash must be preferentially offered to shareholders, in proportion to the portion of the company's capital their shares represent. However, the General Meeting may, in the interests of the company, limit or eliminate this pre-emptive right in compliance with legal provisions.

Auditor

The mandate of the statutory auditor, DELOITTE Bedrijfsrevisoren CVBA/Réviseurs d'Entreprises SCRL, represented by Jurgen Kesselaers, expired at the end of the Annual General Meeting held on 14 May 2019.

Since Fluxys Belgium is a public-interest entity and a contracting authority, it must comply with Regulation (EU) No. 537/2014 on specific requirements regarding statutory audit of public-interest entities and therefore awards contracts in accordance with European procurement legislation, as introduced in Belgium.

On the basis of a tendering procedure, the Fluxys Belgium Board of Directors recommended proposing to the Annual General Meeting that EY Bedrijfsrevisoren BV/Réviseurs d'Entreprises SRL, represented by Wim Van Gasse and Marnix Van Dooren, be appointed as statutory auditor for a three-year period, expiring at the end of the 2022 Annual General Meeting. This proposal was accepted by the Annual General Meeting held on 14 May 2019.

The Annual General Meeting decided on the annual fees of EY Bedrijfsrevisoren BV/Réviseurs d'Entreprises SRL.

In 2019, EY received remuneration totalling €146,253 for its work as the Fluxys Belgium group's auditor. EY also performed other tasks worth a total of €33,790.

This remuneration is broken down as follows:

- Audit services as auditor for the group: €129,480
- Audit services as auditor for the group's foreign subsidiaries: €16,773
- Other consultancy services provided prior to appointment as auditor: €30,290
- Other consultancy services: €3,500

Subsidiaries

The Board of Directors checks on the progress of the activities of the subsidiaries Fluxys Re and Fluxys LNG at least twice a year when it examines their consolidated accounts (annual and half-yearly). The Board of Directors is also informed, as and when appropriate, of major events and important developments involving subsidiaries.

Disclosure of major holdings

The periodic disclosure pursuant to Article 74(8) of the Act of 1 April 2007 was sent out on 13 December 2017. As of the date of disclosure, Fluxys held 63,237,240 shares with voting rights in Fluxys Belgium. Publigas held no shares with voting rights in Fluxys Belgium. Publigas confirmed at that time that it had not acquired or transferred any shares with voting rights in Fluxys Belgium. No transfer of shares with voting rights took place in 2019.

Financial situation

Consolidated financial statements under IFRS

General information on the company

Corporate name and registered office

The registered office of the parent entity Fluxys Belgium SA is Avenue des Arts 31, B – 1040 Brussels, Belgium.

Group activities

The main activities of the Fluxys Belgium group are transmission and storage of natural gas as well as terminalling services for liquefied natural gas (LNG) in Belgium. The Fluxys Belgium group also provides complementary services related to these main activities.

Transmission, storage and terminalling services in Belgium are subject to the Gas Act[1].

Please refer to the specific chapters in the directors' report for further information on the activities of Fluxys Belgium group.

[1] Act of 12 April 1965 concerning the transmission of gaseous and other products by pipelines as later amended.

Consolidated financial statements of the Fluxys Belgium group under IFRS

A. Consolidated balance sheet

Consolidated Balance Sheet			In thousands of €
	Notes	31-12-2019	31-12-2018
I. Non-current assets		**2,305,518**	**2,321,691**
Property, plant and equipment	5.1	2,129,400	2,181,771
Intangible assets	5.2	33,424	39,862
Goodwill	5.3	39,970	0
Investments in associates and joint ventures		16	16
Other financial assets	5.4/6	90,200	77,525
Other receivables	6	3,300	3,902
Deferred tax assets	6	144	144
Other non-current assets	5.5	9,064	18,471
II. Current assets		**562,057**	**593,211**
Inventories	5.6	26,488	29,103
Other current financial assets	6	601	690
Current tax receivable		3,965	6,280
Trade and other receivables	5.7/6	89,421	97,217
Cash investments	5.8/6	58,205	53,279
Cash and cash equivalents	5.8/6	369,005	389,587
Other current assets	5.9	14,372	17,055
Total assets		**2,867,575**	**2,914,902**

Consolidated Balance Sheet			In thousands of €
	Notes	31-12-2019	31-12-2018
I. Equity	**5.10**	**662,677**	**687,156**
Equity attributable to the parent company's shareholders		662,677	687,156
Share capital and share premiums		60,310	60,310
Retained earnings and other reserves		602,367	626,846
Non-controlling interests		0	0
II. Non-current liabilities		**1,957,483**	**1,977,106**
Interest-bearing liabilities	5.11/6	1,718,972	1,723,831
Provisions	5.12	4,272	4,028
Provisions for employee benefits	5.13	63,336	58,819
Other non-current financial liabilities	6	2,669	1,794
Deferred tax liabilities	5.14	168,234	188,634
III. Current liabilities		**247,415**	**250,640**
Interest-bearing liabilities	5.11/6	143,577	158,004
Provisions	5.12	0	209
Provisions for employee benefits	5.13	4,134	3,844
Current tax payables		3,844	4,102
Trade and other payables	5.15/6	92,668	79,345
Other current liabilities		3,192	5,136
Total liabilities and equity		**2,867,575**	**2,914,902**

B. Consolidated income statement

Consolidated Income Statement			In thousands of €
	Notes	**31-12-2019**	**31-12-2018**
Operating revenue	4.1	530,995	503,246
Sales of gas related to balancing operations and operational needs		80,182	106,233
Other operating income		16,038	14,068
Consumables, merchandise and supplies used	4.2.1	-7,898	-4,142
Purchase of gas related to balancing of operations and operational needs		-80,188	-106,240
Miscellaneous goods and services	4.2.2	-129,583	-120,729
Employee expenses	4.2.3	-107,509	-107,852
Other operating expenses	4.2.4	-4,700	-6,202
Net depreciation	4.2.5	-157,955	-155,565
Net provisions	4.2.6	-3,995	-1,816
Impairment losses	5.6	-546	-400
Profit/loss before financial result and tax		**134,841**	**120,601**
Change in the fair value of financial instruments		-71	0
Financial income	4.3	1,016	1,322
Finance costs	4.4	-37,630	-42,189
Profit/loss from continuing operations after net financial result		**98,156**	**79,734**
Income tax expenses	4.5	-28,658	-25,265
Net profit/loss for the period	**4.6**	**69,498**	**54,469**
Fluxys Belgium share		69,498	54,469
Non-controlling interests		0	0
Basic earnings per share attributable to the parent company's shareholders in €	4.7	0.9891	0.7752
Diluted earnings per share attributable to the parent company's shareholders in €	4.7	0.9891	0.7752

C. Consolidated statement of comprehensive income

Consolidated Statement of comprehensive income			In thousands of €
	Notes	31-12-2019	31-12-2018
Net profit/loss for the period	4.6	**69,498**	**54,469**
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of employee benefits	5.12	-7,731	6,140
Income tax expense on these variances		2,287	-1,136
Other comprehensive income		**-5,444**	**5,004**
Comprehensive income for the period		**64,054**	**59,473**
Fluxys Belgium share		64,054	59,473
Non-controlling interests		0	0

D. Consolidated statement of changes in equity

Consolidated Statement of changes in equity									In thousands of €
	Share capital	Share pre-mium	Reserves not available for distribution	Retained earnings	Reser-ves for employee benefits	Other compre-hensive income(3)	Equity attributable to the parent company's shareholders	Non-control-ling interests	Total equity
I. CLOSING BALANCE AS AT 01-01-2018 revised	**60,272**	**38**	**35,824**	**591,824**	**-11,908**	**38,057**	**714,107**	**0**	**714,107**
1. Comprehensive income for the period				54,469	5,004		59,473		59,473
2. Dividends paid			-9,904	-76,520			-86,424		-86,424
II. CLOSING BALANCE AS AT 31-12-2018	**60,272**	**38**	**25,920**	**569,773**	**-6,904**	**38,057**	**687,156**	**0**	**687,156**
1. Comprehensive income for the period				69,729	-5,444	0	64,054	0	64,054
2. Dividends paid			-9,905	-78,628			-88,533		-88,533
3. Other changes (1)			38,057			-38,057			
III. CLOSING BALANCE AS AT 31-12-2019	**60,272**	**38**	**54,072**	**560,874**	**-12,348**	**0**	**662,677**	**0**	**662,677**

(1) This reserve results from the corporate tax reform in Belgium, which gave rise, in 2017, to a reduction in deferred tax liabilities, part of which has directly been accounted for in other comprehensive income (see the 2017 and 2018 annual reports). This amount was transferred to the group reserves in 2019.

E. Consolidated cash flow table

Consolidated statement of cash flows (indirect method)	In thousands of €	
	31-12-2019	31-12-2018
I. Cash and cash equivalents, opening balance	**389,587**	**320,573**
II. Net cash flows from operating activities	**279,517**	**247,233**
1. Cash flows from operating activities	**324,053**	**290,989**
1.1. Profit/loss from continuing operations	134,841	120,601
1.2. Non cash adjustments	162,448	157,956
1.2.1. Depreciation	157,955	155,565
1.2.2. Provisions	3,995	1,816
1.2.3. Impairment losses	546	400
1.2.4. Translation adjustments	0	0
1.2.5. Non cash adjustments	-48	175
1.3. Changes in working capital	26,763	12,432
1.3.1. Inventories	2,069	-1,247
1.3.2. Tax receivables	-585	-6,268
1.3.3. Trade and other receivables	7,796	11,381
1.3.4. Other current assets	27	454
1.3.5. Tax payables	1,129	435
1.3.6. Trade and other payables	16,583	3,531
1.3.7. Other current liabilities	-1,944	2,861
1.3.8. Other changes in working capital	1,688	1,285
2. Cash flows relating to other operating activities	**-44,535**	**-43,756**
2.1. Current tax paid	-45,259	-44,728
2.2. Interests from investments, cash and cash equivalents	836	1,067
2.3. Other inflows (outflows) relating to other operating activities	-113	-95
III. Net cash flows relating to investment activities	**-114,358**	**285,132**
1. Acquisitions	**-109,759**	**-83,398**
1.1. Payments to acquire property, plant and equipment, and intangible assets	-97,959	-83,398
1.2. Payments to acquire subsidiaries, joint arrangements or associates	0	0
1.3. Payments to acquire other financial assets	-11,800	0

Consolidated statement of cash flows (indirect method)	In thousands of €	
	31-12-2019	31-12-2018
2. Disposals	**327**	**6,656**
2.1. Proceeds from disposal of property, plant and equipment, and intangible assets	327	1,208
2.2. Proceeds from disposal of subsidiaries, joint arrangements or associates (3)	0	0
2.3. Proceeds from disposal of other financial assets (2)	0	5,448
3. Dividends received classified as investment activities	**0**	**0**
4. Subsidies received	**0**	**0**
5. Increase (-)/ Decrease (+) of cash investments	**-4,926**	**361,874**
IV. Net cash flows relating to financing activities	**-185,741**	**-463,351**
1. Proceeds from cash flows from financing	**106,039**	**108,380**
1.1. Proceeds from issuance of equity instruments	0	0
1.2. Proceeds from issuance of treasury shares	0	0
1.3. Proceeds from finance leases	691	2,630
1.4. Proceeds from other non-current assets	0	-144
1.5. Proceeds from issuance of compound financial instruments	0	0
1.6. Proceeds from issuance of other financial liabilities (4)	105,348	105,894
2. Repayments relating to cash flows from financing	**-167,746**	**-434,311**
2.1. Repurchase of equity instruments subsequently cancelled	0	0
2.2. Repayment of capital to non-controlling shareholders (5)	0	0
2.3. Repayment of finance lease liabilities	-4,568	0
2.4. Redemption of compound financial instruments	0	0
2.5. Repayment of other financial liabilities	-163,178	-434,311
3. Interests	**-35,501**	**-50,996**
3.1. Interest paid classified as financing	-35,570	-51,165
3.2. Interest received classified as financing	69	169
4. Dividends paid	**-88,533**	**-86,424**
V. Net change in cash and cash equivalents	**-20,582**	**69,014**
VI. Cash and cash equivalents, closing balance	**369,005**	**389,587**

(1) With a view to refinancing a loan that matured in May 2018, Fluxys Belgium proceeded in October 2017 with a bond issue for €350 million. This amount was invested with Fluxys SA for 7 months. This latter amount was included in 2018 in the item 'Increase (-) / Decrease (+) of short-term investments'.

Notes

Note 1a. Statement of compliance with IFRS

The consolidated financial statements of the Fluxys Belgium group for the financial year ended 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards, as approved by the European Union and applicable on the balance sheet date.

All amounts are stated in thousands of euro.

Note 1b. Judgement and use of estimates

The preparation of financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities, and to assess the positive and negative consequences of unforeseen situations and events at the balance sheet date, as well as revenues and expenses of the financial year.

Significant estimates made by the group in the preparation of the financial statements relate mainly to the valuation of the recoverable amount of property, plant and equipment, and intangible assets (see Notes 5.1 and 5.2), the valuation of rights of use and lease obligations under leases (see Notes 5.3 and 5.11), the valuation of any provisions and assets/liabilities (see Notes 5.12 and 7) and in particular the provisions for litigation and pension and related liabilities (see Note 5.13).

Due to the uncertainties inherent in all valuation processes, the group revises its estimates on the basis of regularly updated information. Future results may differ from these estimates.

Other than the use of estimates, group management also uses judgement in defining the accounting treatment for certain operations and transactions not addressed under the IFRS standards and interpretations currently in force.

Therefore, in the balance sheet, the group records the regulatory liabilities corresponding to the excess of regulated revenue received according to the real costs to be covered by the authorised regulated tariffs. This difference is transferred to the income statement via the operating revenue to the balance sheet in the interest-bearing liabilities (non-current and current - See Note 5.11.4). The regulatory assets are accounted for (in other non-current assets or in the current trade and other receivables in the balance sheet) when the regulated revenue received is lower than the real costs to be covered by the authorised regulated tariffs.

These latter are recognised inasmuch as the group considers their recovery highly likely. This accounting method (see Note 2.14) has been determined by the group, as no definitive guidance on 'rate-regulated activities' has been published to date.

Note 1c. Date of authorisation for issue

The Board of Directors of Fluxys Belgium SA authorised these IFRS financial statements for issue on 25 March 2020.

Note 1d. Standards, amendments and interpretations applicable on 1 January 2019

The following standards and interpretations are applicable for the annual period starting from 1 January 2019

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9 Prepayment features with negative compensation
- Annual improvements to IFRS 2015-2017 round

With the exception of IFRS 16, the application of other standards, amendments and interpretations has no significant impact on the financial statements of the group.

A. IFRS 16 - Leases

General impact of the application of IFRS 16

IFRS 16 Leases provides a complete model for the identification and accounting treatment of leases in financial statements. This standard will replace the current provisions on leases, including those under IAS 17 Leases and the associated interpretations since its entry into force, i.e. on 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation, and disclosure of leases, obliging lessees to identify all leases following a single balance sheet model similar to the one that prevailed for finance lease recognition under IAS 17.

The Fluxys Belgium group applied IFRS 16 on 1 January 2019 based on the modified retrospective method as proposed by the standard's transition provisions, by recognising the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings.

Impact of the new definition of ‘lease’

IFRS 16 defines a single model for the recognition of leases based on a new definition of ‘lease’, the main change of which relates to the notion of ‘control’. To determine whether a lease confers the right to control use of a determined asset for a determined period of time, the entity must appreciate whether the customer, throughout the period of use, has the right to:

- obtain substantially all of the economic benefits from the use of the asset; and
- direct the use of the asset.

To determine the duration of the lease, any options for renewal or termination were considered required under IFRS 16, taking into account the probability of exercising the option as well as whether it is under the control of the lessee.

Impact on recognition by lessees.

Former operating leases

IFRS 16 changes the method by which the group recognised leases that were formerly classified as operating leases based on IAS 17, and which were therefore recognised off-balance-sheet.

At the time of the first application of IFRS 16, for all leases that come under the new definition of ‘lease’, with the exceptions as stated below, the Fluxys Belgium group will:

- recognise the right-of-use assets and lease obligations in the consolidated financial statements, initially valued at the present value of future payments;

- recognise the depreciation of right-of-use assets in the consolidated income statement over the estimated duration of the contract;
- separate the total amount of fees paid into a principal that reduces the lease obligations, and a part corresponding to the interest accounted for in the results.

For leases with a term not exceeding 12 months or contracts for low-value assets, the Fluxys Belgium group recognises a lease expense directly in the income statement in accordance with the exemption provided by IFRS 16.

Impact of IFRS 16 on the financial statements of the Fluxys Belgium group

The group has leases encompassing sites, facilities and certain machines, as well as vehicles.

The group has valued lease assets for leases formerly classified as operating leases at the present value of the remaining rent payments, determined using the incremental borrowing rate. Lease assets came to €41,116k, as detailed below (situation as at 1 January 2019). The weighted incremental borrowing rate was 2.7%.

Impact on 1 January 2019

On 1 January 2019, the liabilities concerned encompass:

- the group's sites for an amount of €31,679k and which constitute the transmission or LNG terminal facilities (Zeebrugge) built on sites for which the group has long-term concessions,
- technical facilities leased for more than one year: €5,013k, and
- vehicles leased for more than one year: €4,424k.

The assets recognised as right-of-use assets for these contracts are equal to the liabilities before taking into consideration advance payments and contracts formerly classified as finance leases. As a consequence, there is no impact on opening equity as at 1 January 2019.

Finance lease assets

Assets under finance lease are assets for which the group substantially transfers risks and rewards related to the economic ownership to the lessee.

Finance lease receivables concern the contract relating to the Interconnector Zeebrugge Terminal. This agreement started in 1998 for an initial duration of 20 years. This duration was extended by 5 years pursuant to a request from the company IZT in March 2018. A variable interest rate (based on: Euribor) is applied to this receivable. The recognition of this lease will not be affected by the first application of IFRS 16.

The following reconciliation of the opening balance of the lease liabilities as at 1 January 2019 is based on the lease commitments as at 31 December 2018.

		In thousands of €
Total of future minimum payments in respect of non-cancellable (undiscounted) leases as at 31 December 2018 (note 7.5 in the 2018 annual report)	A	50,466
Effect of discounting	B	(8,692)
Contracts excluded from IFRS 16 (short-term and low-value)	C	(658)
Additional lease liabilities (discounted) as at 1 January 2019	**A+B+C=D**	**41,116**

The following table presents the reclassifications and adjustments recognised on each item in the opening balance sheet:

			In thousands of €
	31.12.2018	**Impact of IFRS 16**	**1.01.2019**
Assets	21,647	41,116	62,763
Right-of-use assets	0	42,817	42,817
Non-current finance lease receivables	3,902	0	3,902
Current finance lease receivables	690	0	690
Other current assets (1)	17,055	-1,701	15,354
Interest-bearing liabilities	1,881,835	41,116	1,922,951
Non-current interest-bearing liabilities	1,723,831	38,397	1,762,228
Current interest-bearing liabilities	158,004	2,719	160,723
Impact on own funds		0	

(1) Reclassification of advance payments for leases as right-of-use assets.

Impact of IFRS 16 on results and statement of cash flow as at 31 December 2019

For the 12-month period ended 31 December 2019:

- depreciation charge increased by €4,797k following the depreciation of additional assets;
- lease costs reduced by €5,923k relating to old leases;
- increase of the interest charge of €1,126k following the interest charge on new recognised lease liabilities;

In the cash flow statement, repayments of liabilities relating to leases come to €4,568k as at 31 December 2019.

For short-term leases (duration of 12 months or less) and low-value lease assets, the impact on results is not significant.

Note 1e. Standards, amendments and interpretations applicable from 1 January 2020

At the date of authorisation of these financial statements, the standards and interpretations listed below have been issued but are not yet mandatory:

- Amendments to IAS 1 and IAS 8 Amendment to the definition of "material" (effective for annual periods beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 January 2020 but not yet adopted at European level)
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020)
- Amendments to the Conceptual Framework for Financial Reporting in IFRS standards (effective for annual periods beginning on or after 1 January 2020)
- IFRS 17 Insurance contracts (effective for annual periods beginning on or after 1 January 2021, but not yet adopted at European level)

- Amendments to IAS 1 Presentation of Financial Statements: classification of liabilities as current or non-current (effective for annual periods beginning on or after 1 January 2022, but not yet adopted at European level)

These standards, amendments and interpretations have not been adopted early. The application of these standards, amendments and interpretations will have no significant impact on the financial statements of the group.

Note 2. Accounting principles and policies

The accounting principles and policies set out below were approved at the Fluxys Belgium Board of Directors meeting of 25 March 2020.

Changes or additions compared with the previous financial year are <u>underlined</u>.

Note 2.1. General principles

The financial statements fairly present Fluxys Belgium group's financial position, results of operations and cash flows.

The group's financial statements have been prepared on the accrual basis of accounting, except for the cash flow statement.

Assets and liabilities have not been offset against each other, except when required or allowed by an international accounting standard.

Current and non-current assets and liabilities have been presented separately in the balance sheet of the Fluxys Belgium group.

The accounting policies have been applied in a coherent manner.

Note 2.2. Balance sheet date

The consolidated financial statements are prepared as of 31 December, i.e. the parent entity's balance sheet date.

When the financial statements of a subsidiary, a joint operation, a joint venture or an associate are not prepared by 31 December, interim financial statements are prepared as at 31 December for consolidation purposes.

Note 2.3. Events after the balance sheet date

The book value of assets and liabilities at the balance sheet date is adjusted when events after the balance sheet date provide evidence of conditions that existed at the balance sheet date.

Adjustments can be made until the date of authorisation for issue of the financial statements by the Board of Directors.

Other events relating to circumstances arising after balance sheet date are disclosed in the notes to the consolidated financial statements, if significant.

Note 2.4. Basis of consolidation

The Fluxys Belgium group's consolidated financial statements have been prepared in accordance with IFRS and in particular with IFRS 3 (Business Combinations), IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements) and IAS 28 (Investments in Associates and Joint Ventures).

Subsidiaries

The Fluxys group's consolidated financial statements include the financial statements of the parent entity and the financial statements of the entities it controls and its subsidiaries.

The investor controls an investee when it is exposed—or has rights—to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The investor has power over the investee when it holds existing rights that give the current ability to direct the relevant activities, i.e. the activities of the investee that significantly affect the investee's returns, even if it does not hold the majority of the voting rights in the investee concerned.

The parent entity must consolidate the subsidiary as of the date it obtains the control over it, and must cease to consolidate when it loses control over it. In this way revenues and charges of a subsidiary acquired or transferred in the course of the financial year are included in the consolidated income statement and in the consolidated statement of comprehensive income as from the date on which the parent entity acquired the control over the subsidiary and up to the date on which it ceased to control the latter.

Joint operations

A joint operation is a joint arrangement in which the parties who exercise a joint control over the undertaking have rights to the assets and obligations for the liabilities of the undertaking. Joint control means contractually agreed sharing of the control exercised over an undertaking, which only exists in the cases where the decisions on the relevant activities require the unanimous consent of the parties sharing the control.

When a group entity carries out its activities in the framework of a joint operation, the group, as a joint participant, must account for the assets, liabilities, revenues and charges relating to its interests in the joint operation in accordance with IFRS which are applicable to its assets, liabilities, revenues and charges.

Investments in associates and joint ventures

An associate is an entity in which the group has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity, without exercising control or joint control over these policies.

A joint venture is a joint arrangement in which the parties exercising joint control over the undertaking have rights to the net assets of the undertaking. Joint control means contractually agreed sharing of the control exercised over an undertaking, which only exists in the cases where the decisions on the relevant activities require the unanimous consent of the parties sharing the control.

The results and assets and liabilities of associates or joint ventures are accounted for in the present consolidated financial statements in accordance with the equity method, unless the investment, or a part thereof, is classified an asset held for sale in accordance with IFRS 5.

An investment in an associate or joint venture is initially accounted for at cost. It then integrates the share of the group in the net results and the other elements of the comprehensive result of the undertaking accounted for under the equity method. Finally dividends distributed by this entity decrease the value of the investment.

An associate is not accounted for under the equity method if its impact on the financial statements is immaterial.

Note 2.5. Business combinations

The group accounts for all business combinations using the acquisition method. This method is also used for business combinations under joint control in the event that the method is in line with the substance of the transaction and helps to give a true and fair view of the financial position.

The acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The costs connected to the acquisition are accounted for in the results when they are made.

Goodwill represents the excess, at the acquisition date, of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the investment previously held by the acquirer in the acquiree over the net fair value of identifiable assets acquired and liabilities assumed.

If, after revaluation, the net fair value, at the acquisition date, of identifiable assets acquired and liabilities assumed is higher than the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the investment previously held by the acquirer in the acquiree, the excess will be accounted for immediately in the results of the period.

Goodwill is recognised as an asset. For the purpose of impairment tests, goodwill is allocated to the Group's cash-generating units expected to benefit from the synergies of the combination. An impairment test is carried out each year, even when there is no indication that goodwill may have been impaired, or more frequently if events or changes in circumstances indicate that goodwill may have been impaired (IAS 36 – Impairment of assets).

Note 2.6. Translation of foreign entities’ financial statements

For consolidation purposes, the assets and liabilities of the group’s foreign operations are translated into euro using the closing rate and the income and expenses are translated using the average exchange rate for the period unless the exchange rate has fluctuated considerably.

The group’s share of the resulting exchange differences is reported as translation adjustment in the equity section of the balance sheet, whereas the non-controlling interests’ share in those differences is reported as ‘non-controlling interests’ in equity.

Note 2.7. Intangible assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably.

Intangible assets are recognised at cost in the balance sheet (cost method), less any accumulated depreciation and any accumulated impairment losses.

Intangible assets with a limited useful life are depreciated over their useful life.

Computer software is depreciated at 20% per annum.

Subsequent expenditure is capitalised if it generates economic benefits exceeding the initial standard of performance.

Intangible assets are reviewed at each balance sheet date to identify indications of potential impairment that may have arisen during the financial year. In case such indications are noted, an estimate of the recoverable amount of the related intangible assets is made. The recoverable amount is defined as the higher of the fair value less costs to sell of an asset and its value in use.

The value in use is calculated by discounting future cash inflows and outflows generated by the continuous use of the asset and its final disposal at an appropriate discount rate.

Intangible assets are impaired when their book value exceeds the amount that can be recovered, as a result of obsolescence of these assets or due to economic or technological circumstances.

Intangible assets with an indefinite useful life are subject to an annual impairment test, and an impairment loss is recognised when their book value exceeds their recoverable amount.

The useful life, the depreciation method, as well as the potential residual value of intangible assets are reassessed at each balance sheet date and revised prospectively, if applicable.

Emission rights for greenhouse gases

Emission rights for greenhouse gases acquired at fair value are recognised as intangible assets at their acquisition cost. Rights granted free of charge are recognised as intangible assets at a nil book value.

The cost associated with emission of greenhouse gases in the atmosphere is recognised as an operating expense, the counterpart being a liability for the obligation to deliver allowances covering the effective emission over the period concerned (other debts). This expense is measured by reference to the weighted average cost of the acquired or granted allowances.

This liability is derecognised on the delivery of allowances to the government by withdrawing emission rights from intangible assets.

In case the allowances are insufficient to cover the emission of greenhouse gases during the financial year, the group accounts for a provision. This provision is measured by reference to the market value at the balance sheet date of the allowances yet to be purchased.

The excess emission rights not sold on the market are valued at the balance sheet date by reference to the weighted average cost of the acquired or granted allowances, or at market value if lower than the weighted average cost.

Note 2.8. Property, plant and equipment

Property, plant and equipment (PPE) is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably.

PPE is recognised at cost in the balance sheet (cost method), less any accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalised if it generates economic benefits exceeding the initial standard of performance.

PPE is reviewed at each balance sheet date to identify indications of potential impairment that may have arisen during the financial year. In the event that such indications are noted, an estimate of the recoverable amount of the PPE in question is established. The recoverable amount is defined as the higher of the fair value less costs to sell of an asset and its value in use. The value in use is calculated by discounting future cash inflows and outflows generated by the continuous use of the asset and its final disposal at an appropriate discount rate.

Capital subsidies and tax deductions for investment

Subsidies related to property, plant and equipment as well as contributions by third parties in the funding of such assets are deducted from the acquisition cost of these assets.

The tax benefit arising from the deductions for investment reduces the gross value of the related assets, the counterpart being deferred taxes.

Depreciation methods

PPE is depreciated over its useful life.

Each significant component of PPE is recognised separately and depreciated over its useful life.

The depreciation method reflects the rate at which the group expects to consume the future economic benefits related to the asset, taking into account the time during which the assets may generate regulated revenue.

The regulated investments intended to increase the security of supply in Europe are depreciated under a diminishing balance method, which more accurately reflects the rate at which the group expects to consume the future economic benefits of these assets.

Maximum durations of amortisation are:

- 50 years for transmission pipelines in Belgium, terminalling facilities and tanks;
- 50 years for administrative buildings, staff housing and facilities;
- 40 years for storage facilities;
- 33 years for industrial buildings;

- 20 years for investments related to the extensions of the Zeebrugge LNG terminal;
- 10 years for equipment and furniture;
- 5 years for vehicles and site machinery;
- 4 years for computer hardware;
- 3 years for prototypes;
- 10 to 40 years for other facilities.

The useful life, the depreciation method, as well as the potential residual value of property, plant and equipment are reassessed at each balance sheet date and revised prospectively, if applicable.

Note 2.9. Leases

Definition of 'lease'

A contract is or contains a lease if it conveys a right to control the use of an identified asset for a period of time in exchange for a consideration.

To determine whether a lease confers the right to control use of a determined asset for a determined period of time, the entity must appreciate whether, throughout the period of use, it has the right to:

- obtain substantially all of the economic benefits from the use of the asset; and
- direct the use of the asset.

To determine the duration of the lease, any options for renewal or termination were considered required under IFRS 16, taking into account the probability of exercising the option as well as whether it is under the control of the lessee.

1- The group as a lessee

At the start of the lease, the lessee recognises a right-of-use asset and a lease obligation.

Right-of-use assets

The group recognises right-of-use assets on the date of the start of the contract, i.e. the date on which the asset becomes available for use. These assets are valued at the initial cost of the lease obligation minus amortisation and any depreciation, adjusted to take into account any revaluations of the lease obligation. The initial cost of the right-of-use assets includes the present value of the lease obligation, the initial costs incurred by the lessee, rent payments made on the start date or before that date, minus any incentives obtained by the lessee. These assets are depreciated over the estimated lifetime of the underlying asset or over the duration of the contract if this period is shorter, unless the group is sufficiently certain of obtaining ownership of the asset at the end of the contract.

Right-of-use assets are presented separately from other assets as a different entry under non-current assets.

Lease obligations

The lease obligation is valued at the present value of the rent payments that have not yet been paid. The present value of the rent payments must be calculated using the interest rate implicit in the lease if it is possible to determine that rate. If not, the lessee must use its incremental borrowing rate.

The incremental borrowing rate is the interest rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Over the duration of the contract, the lessee values the lease obligation as follows:

- by increasing the book value to reflect the interest on the lease obligation;
- by reducing the book value to reflect the rent payments made;
- by revaluing the book value to reflect the new appreciation of the lease obligation or amendments to the lease.

The services included in leases do not form part of the lease debt.

Lease obligations are presented in a separate entry under current and non-current interest-bearing liabilities (see note 5.11).

Short-term leases and low-value leases

For short-term leases (duration of 12 months or less), the Fluxys Belgium group registers a lease expense.

To determine the criteria for a low-value lease, a threshold has been determined, with the exception of vehicles, which are included in the group of vehicles leased for more than one year without applying the value criteria.

Presentation

In the comprehensive income statement, the interest charge on the lease obligation is presented separately from the depreciation charge that applies to the right-of-use asset.

In the cash flow statement, the cash flows will be presented as follows:

- cash outflows relating to the principal of the lease obligation and the interest paid, in the financing activities;

- rent payments for short-term leases, low-value leases and variable rent payments that have not been taken into account in the valuation of the lease obligations, in the operating activities.

2- The group as a lessor

The group leases out some facilities under finance lease as a lessor.

Assets under finance lease are assets for which the group substantially transfers risks and rewards related to the economic ownership to the lessee. Assets leased under such contracts are recognised on the balance sheet as receivables in an amount equal to the net investment in the lease contract in question. Lease payments received are apportioned between financial income and repayments of the lease receivable so as to achieve a constant rate of return on the net investment by the group in the finance lease contract.

When the classification of contracts under finance lease is based on the present value of the minimum lease payments, the most pertinent criteria adopted is the following: a contract is considered a finance lease if the present value of the minimum lease payments amounts to at least 90% of the fair value of the leased asset at the inception of the lease contract.

No residual value is assumed for gas transmission assets in Belgium, due to the specific nature of the activities concerned.

Note 2.10. Financial instruments

a. Recognition and derecognition of financial assets and liabilities

Recognition

Financial assets and liabilities are recognised when the group becomes party to the instrument's contractual terms.

Derecognition of financial assets

The group has to derecognise a financial asset is and only if the contractual rights on the cash flows of the financial asset expire, or where it transfers almost all the risks and advantages inherent to the ownership of the financial asset to a third party.

If the group doesn't transfer, or keep almost all the risks and advantages inherent to the ownership of the financial asset and it keeps control of the asset transferred, the group continues to recognise the financial asset to the degree that its implication in it continues and an associated liability for the amount owed.

If the group keeps almost all the risks and advantages inherent to the ownership of the financial asset, it continues to recognise the whole financial asset and recognises a financial liability for the consideration received.

When a financial asset measured at amortised cost is derecognised, the difference between the amortised cost and the sum of the considerations received is transferred to the income statement.

When an investment and equity instruments until now measured at fair value with changes to other comprehensive income are derecognised, the accumulated profit/loss recognised previously in other comprehensive income is not reclassified to net income.

Derecognition of financial liabilities

The entity derecognises a financial liability only if this liability is extinguished, i.e. once the obligation is fulfilled, cancelled or it expires.

The difference between the book value of an extinguished financial liability and the consideration paid, including, where applicable, the assets (non-cash) transferred and the liabilities acquired must be recognised in net income.

b. Unconsolidated instruments (such as shares and equity rights)

The Fluxys Belgium group values the unconsolidated equity instruments at fair value with changes to other comprehensive income.

However, given the materiality of certain instruments and the unavailability of recent market values, certain equity instruments are accounted for at the initial cost.

The dividends received for these equity instruments are recognised in financial income under the item ‘Dividends from unconsolidated entities’

c. Short-term investments, cash and cash equivalents

Cash investments in the form of bonds or commercial paper, having a maturity date exceeding three months, are reported as financial assets measured at amortised cost. These are shown in the balance sheet under non-current ‘other financial assets’ and under current ‘investments’.

Cash and cash equivalents include short-term investments, short-term bank deposits and deposits readily convertible to a known cash amount and which are subject to an insignificant risk of changes in value (maximum of three months).

Cash and cash equivalents held are reported as financial assets measured at amortised cost.

The economic model used by the Fluxys Belgium group to manage financial assets aims to hold them in order to obtain contractual cash flows. The sales of financial assets are rare and the group does not expect to proceed with such sales in the future, except in the case of an increased credit risk for the assets over and above the policy advocated by the group. A sale may also be motivated by an unexpected financing need.

Where the conditions required to be qualified as financial assets valued at the depreciated cost are not met, these financial assets concerned are valued at fair value with changes to net profit/loss.

d. Trade and other receivables

Trade and other receivables are stated at their face value reduced by any amounts deemed unrecoverable.

When the time value of money is significant, trade and other receivables are discounted.

Impairment losses are recognised when the book value of these items at balance sheet date exceeds their recoverable amount.

e. Expected credit losses and write-downs

Expected credit losses on financial assets accounted for at depreciated cost are calculated using an individual approach, based on the credit quality of the counterparty and the maturity of the financial asset.

Expected credit losses are calculated using a probability of default over 12 months where the credit risk is low.

A financial asset is impaired where one or more events have occurred with a negative effect on the future estimated cash flows of this financial asset. The indications of the impairment of a financial asset encompass data that may be observed on the following events:

- defaults in payments for more than 90 days,
- significant financial difficulty of the issuer or debtor and
- increasing probability of bankruptcy or financial restructure of the lender.

If the economic forecast (for example gross domestic product) deteriorates over the course of next year, which could lead to an increase in the number of defaults, the historical default rates are adjusted. At each balance sheet date, the historical default rates observed are updated and the changes in the forecast estimates are analysed.

f. Interest-bearing liabilities

Interest-bearing liabilities are recognised at the net amount received. Following initial recognition, interest-bearing liabilities are recorded at depreciated cost. The difference between the depreciated cost and the redemption value is recognised in the income statement under the effective interest rate method over the term of the liabilities.

g. Trade payables

Trade payables are stated at face value.

When the time value of money is significant, trade payables are discounted.

Note 2.11. Inventories

Valuation

Inventories are valued at the lower of cost and net realisable value.

Inventories are written down to account for:

- a reduction in net realisable value, or
- impairment losses due to unforeseen circumstances related to the nature or use of the assets.

This impairment on inventories is recognised in the income statement in the period in which they arise.

Gas inventory

Gas inventory changes are valued under the weighted average cost method.

Supplies and consumables

Supplies and consumables are valued under the weighted average cost method.

Work in progress

Work in progress for third parties is valued at cost, including indirectly attributable costs.

When the outcome of a contract can be reliably estimated, contract revenue and expenses are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance sheet date. Any expected loss is recognised immediately as an expense in the income statement.

Note 2.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, building or production of assets requiring a substantial period of time to get ready for their intended use (property, plant and equipment, investment property, etc.) are added to the costs of the assets concerned until they are ready for use or sale.

The amount of the borrowing costs to be capitalised is the actual cost incurred in borrowing the funds, as reduced by income from any temporary investment of these funds.

Note 2.13. Provisions

Provisions are recognised as a liability in the balance sheet when they meet the following criteria:

- the group has a present (legal or constructive) obligation arising from a past event;
- it is probable (i.e. more likely than not) that the settlement of this obligation will lead to an outflow of resources embodying economic benefits;
- the amount of the obligation can be reliably estimated.

No provision is recognised if the above conditions are not met.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, in other words the amount the entity reasonably expects to need to pay to discharge the obligation at balance sheet date, or to transfer it to a third party at the same date.

This estimation is based either on a request from a third party or on estimates or detailed calculations. For all provisions recognised, management considers that the probability of an outflow of resources exceeds 50%.

When the time value of money is significant, provisions are discounted. The discount rate used is a rate before tax reflecting current market estimates of the time value of money and taking into account any risks associated with the type of liability in question.

All risks incurred by the group that do not comply with the above-mentioned criteria are disclosed as contingent liabilities in the Notes.

Employee benefits

Some companies in the Fluxys group have established supplementary ‘defined benefit’ or ‘defined contribution’ pension plans. Benefits provided under these plans are based on the number of years of service and the employee’s salary.

‘Defined benefit’ pension plans enable employees to benefit from a capital sum calculated on the basis of a formula which takes account of their annual salary at the end of their career and their seniority when they retire.

‘Defined contribution’ pension plans provide employees with a capital sum accumulated from personal and employer contributions.

In Belgium, the law requires that the employer guarantee a minimum return for defined contribution, which varies based on the market rates.

The accounting method used by the group to value these ‘defined contribution pension plans, with a guaranteed minimum return’, is identical to the method used for ‘defined benefit’ plans.

In case of death before retirement, these plans provide a capital sum for the surviving spouse, as well as allowances for orphans.

Other employee benefits

Certain group companies offer their employees post-employment benefits such as the reimbursement of medical costs and tariff reductions, and other long-term benefits (seniority premiums).

Valuation

These liabilities are valued annually by a qualified actuary.

Regular payments made in relation to the supplementary pension plans are recognised as expenses at the time they are incurred.

'Defined benefit' pension plans

Provisions for pensions and other collective agreements are reported in the balance sheet in accordance with IAS 19 (Employee Benefits), using the projected unit credit method (PUCM).

The current value of post-employment benefits is determined at each balance sheet date based on the projected salary estimated at the end of the employee's career, the rate of inflation, life expectancy, staff turnover and the expected age of retirement. The present value of defined benefit obligations is determined using a discount rate based on high-quality bonds with maturity dates close to the weighted average maturity of the plans concerned and which are denominated in the currency in which the benefits are to be paid.

Where plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits payable under the plan, the fair value of those insurance policies is deemed to be the present value of the related obligations (subject to any reduction required if the amounts receivable under the insurance policies are not recoverable in full).

The amount accounted for in respect of post-employment liabilities corresponds to the difference between the current value of future obligations and the fair value of assets in the plan destined to cover them. Any deficit resulting from this valuation is subject to the recognition of a provision to cover this risk. In the opposite case, an asset is recognised in line with the surplus of the defined benefit pension plan, capped at the current value of any future reimbursement from the plan or any reduction in future contributions to the plan.

The remeasurements of the liabilities or assets in the balance sheet comprise:

- the actuarial gains or losses on the defined benefit liabilities resulting from adjustments relating to experience and/or changes in actuarial assumptions (including the effect of the change in the discount rate);
- the return on plan assets (excluding amounts included in net interest) and changes in the effect of the asset ceiling (excluding amounts included in net interest).

These remeasurements are directly recognised in equity ('Other comprehensive income') through the other items in comprehensive income.

'Defined contribution' pension plans

The liabilities of the group with regard to 'defined contribution' plans are limited to the employer contributions paid recorded in the results.

Actuarial gains and losses relating to other long-term employee benefits

The other long-term benefits are accounted for in the same way as the post-employment benefits, but revaluations are fully accounted for in the financial results in the financial year in which they occur.

Note 2.14. Revenue recognition

The group accounts for operating revenue as it meets a service obligation by supplying the customer with the promised good or service and as this latter obtains control thereof.

The Fluxys Belgium group uses a five-stage approach to determine whether a contract entered into with a customer may be accounted for and the way in which revenue should be recognised:

1. identification of the contract,
2. identification of the service obligations,
3. determination of the transaction price,
4. distribution of the transaction price between the service obligations and
5. recognition of operating revenue where the service obligations are met or where the control of the goods or services is transferred to the customer.

Group revenues mainly come from standard regulated contracts for which both the services to be provided and the price of the service are clearly identified.

Fluxys Belgium and its subsidiaries transfer the control of their regulated services progressively and in doing so meet their service obligation and account for operating revenue progressively. It should be noted that the revenue from regulated activity is recognised based on reserved capacities.

Furthermore, the Fluxys Belgium group makes sales of gas that are necessary for balancing operations and its operational needs. These services, fulfilled at a specific time, are recognised in operating revenue from the time of their fulfilment.

Regulated income received by the group may generate a gain or a loss compared with the target rate of return on the capital invested. Gains are reported and recognised as regulatory liabilities (under interest-bearing liabilities, current or non-current receivables), whereas losses are included in operating revenue to offset the accounting of regulatory assets (under other non-current receivables or in current trade and other receivables).

The regulatory framework is explained in further detail in chapter 7 of annual report. The distinction between the revenue invoiced and recognised (i.e. the movements in regulatory assets and liabilities) is shown in note 4 - Segment income statement.

Note 2.15. Income taxes

Current tax is determined in accordance with local tax regulations and calculated on the income of the parent entity, subsidiaries and joint operations.

Deferred tax liabilities and assets reflect the future taxable and deductible temporary differences, respectively, between the book base and the tax base of assets and liabilities.

Deferred tax liabilities and assets are measured at the enacted or substantially enacted new income tax rate applicable to the financial year in which the underlying asset is expected to be realised or the underlying liability settled on the balance sheet date.

Any later change in rates requires a change to the deferred taxes. This is accounted for via the other items of the global profit/loss for the part concerning operations that are usually accounted for in this statement. The balance of the change in deferred taxes is accounted for in the net profit/loss for the period.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the future deductible temporary differences can be offset.

Note 2.16. Foreign currency assets, rights, borrowings and liabilities

Recognition at the date of the transaction

Foreign currency receivables and payables are measured at the exchange rate prevailing at the transaction date.

Measurement at balance sheet date

At balance sheet date, in accordance with IAS 21 (Effects of Changes in Foreign Exchange Rates), monetary assets and liabilities, as well as rights and liabilities, are valued at the closing rate.
The resulting foreign currency translation gains and losses are recognised in the income statement.

Note 3. Acquisitions, disposals and restructuring

Consolidation scope

The consolidation scope and percentage of interests in consolidated entities remained identical to those of 31 December 2018.

Information on investments

Fully consolidated entities						
Name of the subsidiary	**Registered office**	**Entity number**	**% owner-ship**	**Core business**	**Currency**	**Balance sheet date**
Fluxys LNG SA	Rue Guimard 4 B - 1040 Brussels	0426 047 853	100.00%	LNG terminalling	EUR	31 December
Flux Re SA	Rue de Merl 74 L - 2146 Luxembourg	-	100.00%	Reinsurance entity	EUR	31 December

Entities consolidated under equity method						
Name of the subsidiary	**Registered office**	**Entity number**	**% owner-ship**	**Core business**	**Currency**	**Balance sheet date**
Balansys SA	Rue de Bouillon 59-61 L - 1248 Luxembourg	-	50.00%	Balancing operator	EUR	31 December

Nature and scope of the restrictions related to the assets and liabilities of the group

Special rights are attached to the special share of the Belgian State in Fluxys Belgium, other than the normal rights attached to all other shares. These special rights are exercised by the Federal Minister in charge of Energy and can be summarised as follows:

- the right to oppose to all transfers, any assignment as security or change of the destination of strategic assets of Fluxys Belgium of which the list is set out in an annex to the royal decree of 16 June 1994, if the Federal Minister in charge of Energy considers that this operation prejudices the national interests in the area of energy;
- the right to appoint two representatives of the federal government with a consultative vote in the Board of Directors and the Strategic Committee of Fluxys Belgium;
- the right of the representatives of the federal government, within four business days, to appeal to the Federal Minister in charge of Energy on the basis of objective, non-discriminatory and transparent criteria, as defined in the Royal Decree of 5 December 2000, against any decision of the Board of Directors or any advice of the strategic Committee of Fluxys Belgium (including the investment and business plan and related budget) which they regard as contrary to the guidelines of the country’s energy policy, including the government's objectives concerning the country's energy supply. The appeal is suspensive. If the Federal Minister in charge of Energy has not cancelled the decision concerned within eight business days after this appeal, it becomes final.
- a special voting right in case of deadlock in the General meeting on a matter concerning the objectives of the federal energy policy.

There are no other significant restrictions that may limit the ability of the group to access or use its assets and discharge its liabilities. However it must be noted that the assets of Flux Re are destined to cover the risk of the company in the scope of its reinsurance activities. The total assets in the balance sheet of Flux Re came to €169.9 million as at 31-12-2019 compared to €168.7 million as at 31-12-2018.

Balansys SA is a company governed by Luxembourg law in which 50% of shares are held by Fluxys Belgium SA and 50% by Creos Luxembourg SA. The objective of this company is to integrate the Belgian and Luxembourg natural gas markets. As part of this objective, an agreement has been signed between the shareholders that stipulates that Balansys SA shares may not be encumbered with any guarantees or transferred, unless for the benefit of another transmission network operator and with the agreement of the other shareholder.

Note 4. Segment information

Operating segments

Fluxys Belgium group carries out activities in the following operating segments: transmission, storage, LNG terminalling activities in Belgium and other activities.

The segment information is based on a classification into these operating segments.

Transmission activities comprise all operations subject to the Gas Act related to transmission of gas in Belgium.

Storage activities comprise all operations subject to the Gas Act related to storage of gas at Loenhout in Belgium.

Terminalling activities comprise all activities subject to the Gas Act related to the LNG terminal at Zeebrugge in Belgium.

The segment 'other activities' comprises other services rendered by Fluxys Belgium group such as participating in the IZT and ZPT terminals in Belgium and work for third parties.

The Fluxys Belgium group operates mainly in Belgium and does not therefore publish information by geographical sector.

Basis of accounting relating to transactions between operating segments

Transactions between operating segments mainly relate to capacity reservations by one segment subject to the Gas Act with another.

They are valued on the basis of the regulated tariffs in force.

Information relating to the main customers

The group’s main customers are users of transmission and storage services and of the Zeebrugge LNG Terminal.

Segment income statement at 31-12-2019						In thousands of €
	Trans-mission	Storage	Terminal-ling	Other	Elimination between segments	Total
Operating revenue	**360,445**	**31,826**	**132,954**	**24,167**	**-18,397**	**530,995**
Sales and services to external customers	345,733	38,782	95,917	17,267	0	497,699
Transactions with other sectors	886	8,885	1,726	6,900	-18,397	0
Changes in regulatory assets and liabilities	13,826	-15,841	35,311	0	0	33,296
Sales of gas related to balancing operations and operational needs	**70,378**	**682**	**9,122**	**0**	**0**	**80,182**
Sales of gas related to balancing of operations and operational needs	83,081	682	12,391	0	0	96,154
Sales of gas related to balancing of operations and operational needs – Regulatory changes	-12,703	0	-3,269	0	0	-15,972
Other operating income	2,462	101	1,626	11,913	-64	16,038
Consumables, merchandise and supplies used	-1,115	-13	-122	-6,648	0	-7,898
Purchase of gas related to balancing of operations and operational needs	-70,424	-682	-9,082	0	0	-80,188
Miscellaneous goods and services	-99,462	-6,852	-31,185	-10,490	18,406	-129,583
Employee expenses	-77,020	-6,707	-18,704	-5,133	55	-107,509
Other operating expenses	-3,420	-568	-466	-246	0	-4,700
Depreciation and amortisation	-113,899	-10,607	-33,161	-288	0	-157,955
Provisions for risks and charges	-684	-13	-299	-2,999	0	-3,995
Impairment losses	-423	0	-125	2	0	-546
Profit/loss before financial result and tax	**66,838**	**7,167**	**50,558**	**10,278**	**0**	**134,841**
Change in the fair value of financial instruments				-71		-71
Financial income	113	13	4	886		1,016
Finance costs	-25,580	-2,884	-6,025	-3,141		-37,630
Profit/loss from continuing operations after net financial result	**41,371**	**4,296**	**44,537**	**7,952**	**0**	**98,156**
Income tax expenses						-28,658
Net profit/loss for the period						**69,498**

Segment income statement at 31-12-2018					In thousands of €	
	Trans-mission	Storage	Terminal-ling	Others	Elimination between segments	Total
Operating revenue	**367,477**	**33,032**	**101,193**	**21,691**	**-20,147**	**503,246**
Sales and services to external customers	374,474	28,802	109,427	13,113	0	525,816
Transactions with other sectors	856	8,670	2,043	8,578	-20,147	0
Changes in regulatory assets and liabilities	-7,853	-4,440	-10,277	0	0	-22,570
Sales of gas related to balancing operations and operational needs	**99,783**	**1,015**	**5,435**	**0**	**0**	**106,233**
Sales of gas related to balancing of operations and operational needs	126,345	1,015	8,554	0	0	135,914
Sales of gas related to balancing of operations and operational needs – Regulatory changes	-26,562	0	-3,119	0	0	-29,681
Other operating income	2,537	118	842	10,626	-55	14,068
Consumables, merchandise and supplies used	-1,070	-88	-51	-2,933	0	-4,142
Purchase of gas related to balancing of operations and operational needs	-99,783	-1,015	-5,442	0	0	-106,240
Miscellaneous goods and services	-97,765	-6,881	-28,740	-7,490	20,147	-120,729
Employee expenses	-77,574	-7,312	-17,799	-5,222	55	-107,852
Other operating expenses	-3,207	-560	-2,195	-240	0	-6,202
Net depreciation	-114,553	-10,764	-30,066	-182	0	-155,565
Provisions for risks and charges	-3,137	26	-92	1,387	0	-1,816
Net impairment losses	-400	0	0	0	0	-400
Profit/loss before financial result and tax	**72,308**	**7,571**	**23,085**	**17,637**	**0**	**120,601**
Financial income	230	26	7	1,059		1,322
Finance costs	-30,680	-3,441	-6,314	-1,754		-42,189
Profit/loss from continuing operations after net financial result	**41,858**	**4,156**	**16,778**	**16,942**	**0**	**79,734**
Income tax expenses						-25,265
Net profit/loss for the period						**54,469**

Note 4.1. Operating revenue

Analysis of operating revenue by business segment:

Operating revenue		In thousands of €		
	Notes	**31-12-2019**	**31-12-2018**	**Change**
Transmission in Belgium	4.1.1	359,559	366,621	-7,062
Storage in Belgium	4.1.1	22,941	24,362	-1,421
Terminalling in Belgium	4.1.1	131,228	99,150	32,078
Other operating income	4.1.2	17,267	13,113	4,154
Total		**530,995**	**503,246**	**27,749**

Operating revenue in the 2019 financial year amounted to €530,995 thousand, up from the €27,749 thousand in the previous financial year.

In accordance with the regulatory framework, the increase in regulated revenue is primarily explained by an increase in the regulated authorised return for terminalling activities in accordance with the tariff proposal of June 2019. This increase is partly compensated by a decrease in revenue from the other two regulated activities.

Transmission, storage and terminalling services in Belgium are subject to the Gas Act.

Revenue from these services aims to ensure an authorised return on capital invested and to cover the operating expenses related to these services, while integrating the productivity efforts to be accomplished by the network operator, as well as permitted depreciation.

4.1.1. Revenue from transmission activities decreased by €7,062 thousand as compared with the previous financial year. This decrease reflects the evolution of sales on the market. In 2018, some long-term contracts came to their expiry, which were only partly compensated by short-term sales in 2019.

Terminalling services generated an increase in regulated revenue (€32,078 thousand). This increase primarily reflects the regulated authorised return on expansion investments in accordance with the tariff proposal of June 2019.

4.1.2. Other revenue relates mainly to work and services for third parties and the provision of facilities.

Note 4.2. Operating expenses

Operating expenses excluding net depreciation impairment losses and provisions		In thousands of €		
	Notes	**31-12-2019**	**31-12-2018**	**Change**
Consumables, merchandise and supplies used	4.2.1	-7,898	-4,142	-3,756
Miscellaneous goods and services	4.2.2	-129,583	-120,729	-8,854
Employee expenses	4.2.3	-107,509	-107,852	343
Other operating expenses	4.2.4	-4,700	-6,202	1,502
Total operating expenses		**-249,690**	**-238,925**	**-10,765**

4.2.1. Consumables, merchandise and supplies used

This item mainly includes costs for transport material taken out of inventory for maintenance and repair projects as well as costs for work carried out on behalf of third parties.

4.2.2. Miscellaneous goods and services

Miscellaneous goods and services are mainly composed of:

	31-12-2019	31-12-2018
Purchase of equipment	-10,129	-7,156
Rent and rental charges (see Note 7.5)	-4,752	-9,932
Maintenance and repair expenses	-20,482	-20,958
Goods and services supplied to the group	-10,193	-4,720
Third-party remuneration (see Note 7.5)	-39,504	-36,932
Royalties and contributions	-31,319	-26,650
Non-personnel related insurance costs	-7,432	-8,373
Other miscellaneous goods and services	-5,773	-6,008
Total	**-129,583**	**-120,729**

The evolution of a range of services and goods in 2019 can be explained by inflation, and by the increase in electricity costs in the LNG terminal because of increased usage, an increase in cross-border capacity and a slight increase in maintenance costs. Efficiency efforts realised by the group have allowed Fluxys Belgium to be in line with the terms of reference framework set for the regulatory period 2016-2019 and even to realise efficiency gains.

Rent and lease charges have decreased as a result of the implementation of IFRS 16. Rents (excluding associated services) are from now on recorded as interest charges (see note 4.4) and depreciation (see note 4.2).

4.2.3. Employee expenses

Employee expenses remain stable (slight decrease of €343k).

The average headcount went down from 900 in 2018 to 897 in 2019. Expressed in FTE (full-time equivalents), these figures convert to 865.0 in 2019 compared to 868.7 in 2018.

Workforce				
	Financial year		Preceding financial year	
	Total number of staff	Total in FTE	Total number of staff	Total in FTE
Average number of employees	**897**	**865.0**	**900**	**868.7**
Fluxys Belgium	**855**	**824.2**	**861**	**831.2**
Executives	268	261.3	267	260.5
Employees	587	562.9	594	570.7
Fluxys LNG	**41**	**40.3**	**38**	**37.0**
Executives	4	4.0	4	3.9
Employees	37	36.3	34	33.1
Flux Re	**1**	**0.5**	**1**	**0.5**
Headcount at balance sheet date	**898**	**867.0**	**894**	**864.4**
Fluxys Belgium	**852**	**822.3**	**854**	**826.1**
Executives	269	262.6	265	259.2
Employees	583	559.7	589	566.9
Fluxys LNG	**45**	**44.2**	**39**	**37.8**
Executives	4	3.8	4	3.8
Employees	41	40.4	35	34.0
Flux Re	**1**	**0.5**	**1**	**0.5**

4.2.4. Other operating expenses

Other operating expenses include property taxes, local taxes, and losses on disposals or retirements of property, plant and equipment.

Operating expenses excluding net depreciation impairment losses and provisions		In thousands of €		
	Notes	31-12-2019	31-12-2018	Change
Depreciation	**4.2.5**	**-157,955**	**-155,565**	**-2,390**
Intangible assets		-9,842	-9,500	-342
Property, plant and equipment		-143,316	-146,065	2,749
Right of Use Assets		-4,797	0	-4,797
Provisions for risks and charges	**4.2.6**	**-3,995**	**-1,816**	**-2,179**
Impairment losses		**-546**	**-400**	**-146**
Inventories		-548	-401	-147
Trade receivables		2	1	1
Total net depreciation, impairment losses and provisions		**-162,496**	**-157,781**	**-4,715**

4.2.5. Depreciation

Depreciation charges on property, plant and equipment over the period are decreasing, mainly due to facilities coming to the end of their depreciation timescale.

4.2.6. Provisions for risks and charges

In 2019, €4.0 million was added to the IAS 19 provision (mainly pension, life and healthcare insurance). The increase compared to the preceding year can primarily be explained by a reduction in pension contributions (and therefore a decrease in the use of provisions). See notes 5.12.3 and 5.13.

Note 4.3. Financial income

Financial income			In thousands of €	
	Notes	31-12-2019	31-12-2018	Change
Dividends from unconsolidated entities		0	0	0
Financial income from leasing contracts	4.3.1	69	169	-100
Interest income on investments and cash equivalents	4.3.2	769	995	-226
Other interest income	4.3.2	67	72	-5
Other financial income		111	86	25
Total		**1,016**	**1,322**	**-306**

4.3.1. Financial income from lease contracts relate to the Interconnector Zeebrugge Terminal (IZT) facilities.

4.3.2. Interest on investments and cash equivalents mainly come, in 2019, from investments recognised at depreciated cost in accordance with IFRS 9. The fall in revenue from investments and cash results mainly from a fall in interest rates earned.

Note 4.4. Finance costs

Finance costs			In thousands of €	
	Notes	31-12-2019	31-12-2018	Change
Borrowing interest costs	4.4.1	-34,589	-41,587	6,998
Unwinding of discounts on provisions	4.4.2	-1,691	-421	-1,270
Interest charges on leasing contracts		-1,126		-1,126
Other finance costs		-224	-181	-43
Total		**-37,630**	**-42,189**	**4,559**

4.4.1. Borrowing interest costs primarily include interest on the loans from the European Investment Bank and Fluxys, bonds, and regulatory liabilities. The reduction in interest charges can primarily be explained by an advantageous refinancing of a bond loan that matured in May 2018.

4.4.2 Unwinding of discounts on provisions

This item almost exclusively concerns employee benefits that are recognised and valued in accordance with IAS 19 and includes, apart from the unwinding of discounts on provisions, returns from associated assets, and actuarial gains and losses recognised in profit/loss. The change is mainly associated with a decrease in the discount rate for other long-term employee benefits.

Note 4.5. Income tax expenses

Income tax expense is analysed as follows:

Income tax expenses				In thousands of €
	Notes	**31-12-2019**	**31-12-2018**	**Change**
Current tax	4.5.1	-46,772	-41,706	-5,066
Deferred tax	4.5.2	18,114	16,441	1,673
Total	4.5.3	**-28,658**	**-25,265**	**-3,393**

Income tax expenses increased by €3,393 thousand as compared with the preceding financial year. This change can be explained as follows:

4.5.1. Current tax			In thousands of €
	31-12-2019	31-12-2018	Change
Income taxes on the result of the current period	**-46,759**	**-41,671**	**-5,088**
Taxes and withholding taxes due or paid	-48,227	-44,728	-3,499
Excess of payment of taxes and withholding taxes included in assets	1,698	3,057	-1,359
Additional taxes	-230	0	-230
Adjustments to previous years' current taxes	**-13**	**-35**	**22**
Total	**-46,772**	**-41,706**	**-5,066**

Current tax increased €5,066 thousand compared with the previous financial year. This increase was mainly due to the rise in the result before taxes.

4.5.2 Deferred tax			In thousands of €
	31-12-2019	31-12-2018	Change
Relating to origination or reversal of temporary differences	**16,519**	**16,441**	**78**
Differences arising from the valuation of property, plant and equipment	15,110	15,397	-287
Changes in provisions	1,121	500	621
Other changes	288	544	-256
Relating to tax rate changes or to new taxes	**1,595**	**0**	**1,595**
Relating to changes in accounting policies and errors	**0**	**0**	**0**
Relating to changes in fiscal status of entity or shareholders	**0**	**0**	**0**
Total	**18,114**	**16,441**	**1,673**

Deferred tax is primarily influenced by the difference between the book value and the tax base of property, plant and equipment.

The corporate tax reform in Luxembourg, which meant that the nominal tax rate in Luxembourg went from 26.01% in 2018 to 24.94% in 2019, generated, in 2019, a non-recurring revision of deferred taxes accounted for in the past of an amount of €1,595 thousand.

4.5.3. Reconciliation of expected income tax rate and effective average income tax rate			In thousands of €
	31-12-2019	31-12-2018	Change
Income tax as per effective average tax rate – Financial year	**-29,035**	**-23,585**	**-5,450**
Profit/loss from continuing operations after net financial result	98,156	79,734	18,422
Earnings from associates and joint ventures (-)	29.58%	29.58%	
Impacts to justify transition to the effective average tax rate	**390**	**-1,645**	**2,035**
Income tax rate differences between jurisdictions	333	249	84
Changes in tax rates	1,595	0	1,595
Tax-exempt income	0	0	0
Non-deductible expenses	-1,538	-1,894	356
Taxable dividend income	0	0	0
Deductible notional interest cost	0	0	0
Other	0	0	0
Income tax as per effective average tax rate – Financial year	**-28,645**	**-25,230**	**-3,415**
Earnings before tax	98,156	79,734	18,422
Average effective tax rate	29.18%	31.64%	-2.46
Adjustments to previous years' current taxes	**0**	**0**	**0**
Total income tax expense	**-13**	**-35**	**22**
Income tax as per effective average tax rate – Financial year	**-28,658**	**-25,265**	**-3,393**

The average effective tax rate for 2019 amounted to 29.18% compared with 31.64% the previous year. This decrease can chiefly be explained by the non-recurring review of deferred taxes recorded in 2019 and linked to the change in tax rates in Luxembourg (see Note 4.5.2).

Note 4.6. Net profit/loss for the period

Net profit/loss for the period			In thousands of €
	31-12-2019	31-12-2018	Change
Non-controlling interests	0	0	0
Group share	69,498	54,469	15,029
Total profit/loss for the period	**69,498**	**54,469**	**15,029**

The consolidated net profit for the financial year amounted to €69,498 thousand, an increase of €15,029 thousand compared with 2018.

Net profit/loss from Belgian regulated activities is primarily determined by various regulatory parameters, notably equity invested, financial structure and interest rates (OLO). The interest rates used as reference to calculate the authorised return on the regulated assets are those of the ten-year Belgian government bonds issued by the Belgian State (OLOs).

The increase in net profit/loss is primarily explained by an increase in the regulated authorised return for terminalling activities in accordance with the tariff proposal of June 2019.

On the other hand, 2019 results were favourably affected by the profit/loss from non-regulated activities.

Efficiency gains are in line with those in 2018.

Note 4.7. Earnings per share

In thousands of €	31-12-2019	31-12-2018
Net income from continuing operations attributable to the parent company's shareholders	**69,498**	**54,469**
Net profit	69,498	54,469
Impact of dilutive instruments	0	0
Diluted net profit/loss from continuing operations attributable to the parent company's shareholders	**69,498**	**54,469**
Net profit/loss from discontinued operations attributable to the parent company's shareholders	**0**	**0**
Net profit	0	0
Impact of dilutive instruments	0	0
Diluted net profit/loss from discontinued operations attributable to the parent company's shareholders	**0**	**0**
Net profit/loss attributable to the parent company's shareholders	**69,498**	**54,469**
Net profit	69,498	54,469
Impact of dilutive instruments	0	0
Diluted net profit/loss attributable to the parent company's shareholders	**69,498**	**54,469**

Denominator (in units)	31-12-2019	31-12-2018
Average number of outstanding shares	**70,263,501**	**70,263,501**
Impact of dilutive instruments	0	0
Diluted average number of outstanding shares	**70,263,501**	**70,263,501**

Earnings per share (in euros)	31-12-2019	31-12-2018
Basic earnings per share from continuing operations attributable to the parent company's shareholders	0.9891	0.7752
Diluted basic earnings per share from continuing operations attributable to the parent company's shareholders	0.9891	0.7752
Basic earnings per share from discontinued operations attributable to the parent company's shareholders	0.0000	0.0000
Diluted basic earnings per share from discontinued operations attributable to the parent company's shareholders	0.0000	0.0000
Basic earnings per share attributable to the parent company's shareholders	0.9891	0.7752
Diluted basic earnings per share attributable to the parent company's shareholders	0.9891	0.7752

Note 5. Segment balance sheet

Segment balance sheet at 31-12-2019						In thousands of €
	Trans-mission	Storage	Terminal-ling	Other	Unallo-cated	Total
Property, plant and equipment	1,363,214	151,825	613,895	466	0	2,129,400
Intangible assets	31,785	6	1,633	0	0	33,424
Right of use assets	12,923	344	26,703	0	0	39,970
Other financial assets	97	0	0	90,103	0	90,200
Inventories	21,092	3,067	722	1,607	0	26,488
Lease receivables	0	0	0	3,901	0	3,901
Net trade receivables	71,340	3,911	2,323	8,039	0	85,613
Other assets					458,579	458,579
						2,867,575
Interest-bearing liabilities	1,019,208	115,746	439,194	288,401	0	1,862,549
Other financial liabilities	0	0	15	2,654	0	2,669
Other liabilities					339,680	339,680
						2,204,898
Equity						662,677
						2,867,575
Investments over the period in PP&E	14,371	4,482	72,414	16	0	91,282
Investments over the period in intangible assets	2,870	0	547	0	0	3,417

Segment balance sheet at 31-12-2018						In thousands of €
	Trans-mission	Storage	Terminal-ling	Other	Unallo-cated	Total
Property, plant and equipment	1,451,605	157,928	571,717	521	0	2,181,771
Intangible assets	38,454	8	1,400	0	0	39,862
Other financial assets	85	0	0	77,440	0	77,525
Inventories	24,457	2,989	1,427	230	0	29,103
Lease receivables	0	0	0	4,592	0	4,592
Net trade receivables	74,186	2,640	3,138	14,087	0	94,051
Other assets					487,998	487,998
						2,914,902
Interest-bearing liabilities	1,079,635	120,921	446,161	235,118	0	1,881,835
Other financial liabilities	0	0	10	1,784	0	1,794
Other liabilities					344,117	344,117
						2,227,746
Equity						687,156
						2,914,902
Investments over the period in PP&E	17,793	774	59,494	78	0	78,139
Investments over the period in intangible assets	2,782	9	1,325	0	0	4,116

Note 5.1. Property, plant and equipment

Movements in property, plant and equipment				
Gross book value	**Land**	**Buildings**	**Gas transmission***	**Gas storage ***
At 31-12-2017	**47,530**	**160,700**	**3,423,165**	**381,061**
Investments	124	188	9,653	604
Subsidies received	0	0	0	0
Disposals and retirements	-73	0	-776	0
Internal transfers	0	77	3,489	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	0	0
At 31-12-2018	**47,581**	**160,965**	**3,435,531**	**381,665**
Investments	803	288	4,797	4,350
Subsidies received	0	0	0	0
Disposals and retirements	-22	-16	-514	0
Internal transfers	0	77	798	156
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	0	0
At 31-12-2019	**48,362**	**161,314**	**3,440,612**	**386,171**

**subject to the Gas Act*

				In thousands of €
LNG Terminal*	Other facilities and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
1,144,680	**43,475**	**58,840**	**177,641**	**5,437,092**
2,162	33	5,706	59,669	78,139
0	0	0	0	0
-10	0	-7,921	0	-8,780
2,850	0	0	-6,416	0
0	0	0	0	0
0	0	0	0	0
1,149,682	**43,508**	**56,625**	**230,894**	**5,506,451**
70,369	3	6,739	3,933	91,282
0	0	0	0	0
0	0	-4,108	0	-4,660
228,741	0	0	-229,772	0
0	0	0	0	0
0	0	0	0	0
1,448,792	**43,511**	**59,256**	**5,055**	**5,593,073**

Movements in property, plant and equipment				
Depreciation and impairment losses	**Land**	**Buildings**	**Gas transmission***	**Gas storage***
As at 31-12-2017	**0**	**-87,434**	**-2,005,460**	**-219,958**
Depreciation	0	-3,107	-97,696	-10,578
Disposals and retirements	0	0	68	0
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2018	**0**	**-90,541**	**-2,103,088**	**-230,536**
Depreciation	0	-4,102	-94,176	-10,396
Disposals and retirements	0	16	262	0
Internal transfers	0	0	0	0
Changes in the consolidation scope and assets held for sale	0	0	0	0
Translation adjustments	0	0	0	0
As at 31-12-2019	**0**	**-94,627**	**-2,197,002**	**-240,932**
Net book values as at 31-12-2019	**48,362**	**66,687**	**1,243,610**	**145,239**
Net book values as at 31-12-2018	**47,581**	**70,424**	**1,332,443**	**151,129**

**subject to the Gas Act*

				In thousands of €
LNG Terminal*	Other facilities and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
-786,732	**-43,139**	**-43,710**	**0**	**-3,186,433**
-29,043	-66	-5,575	0	-146,065
6	0	7,744	0	7,818
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
-815,769	**-43,205**	**-41,541**	**0**	**-3,324,680**
-29,291	-54	-5,297	0	-143,316
0	0	4,045	0	4,323
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
-845,060	**-43,259**	**-42,793**	**0**	**-3,463,673**
603,732	**252**	**16,463**	**5,055**	**2,129,400**
333,913	**303**	**15,084**	**230,894**	**2,181,771**

Movements in property, plant and equipment				
	Land	Buildings	Gas transmission*	Gas storage*
Net book values as at 31-12-2019 of which:	**48,362**	**66,687**	**1,243,610**	**145,239**
At cost	48,362	66,687	1,243,610	145,239
At revaluation	0	0	00	0
Supplementary information				
Net book value of assets temporarily retired from active use	**110**	**0**	**0**	**0**

**subject to the Gas Act*

Property, plant and equipment mainly comprises the group's transmission, storage (Loenhout) and LNG terminalling (Zeebrugge) facilities.

In 2019, Fluxys Belgium group made investments of €91,282 thousand.

Of this amount, €72,414 thousand was allocated to LNG infrastructure projects (mainly the construction of the fifth tank at the Zeebrugge LNG Terminal, which was commissioned in December 2019) and €14,371 thousand to transmission-related projects.

In relation to investments that are currently in progress or planned, the group has commitments under Engineering, Procurement and Construction contracts for an amount of €5.6 million as at 31.12.2019.

The costs for loans activated on investments under construction came to €3,311 thousand in 2019 compared to €2,733 thousand in 2018. The interest rates used are based on the costs of the loans concerned.

LNG Terminal*	Other facilities and machinery	Furniture, equipment & vehicles	Assets under construction & instalments paid	Total
				In thousands of €
603,732	**252**	**16,463**	**5,055**	**2,129,400**
603,732	252	16,463	5,055	2,129,400
0	0	0	0	0
0	**0**	**0**	**0**	**110**

The depreciation charge for the period amounts to €143,316 thousand and reflects the rate at which the group expects to consume the economic benefits of the property, plant and equipment.

The assets that are used within the regulated market are depreciated over their useful life, as stated in point 8 of the accounting principles (Note 2), without taking into account a residual value, given the specificity of the sector's activities.

Other property, plant and equipment is depreciated over its useful life as estimated by the group, taking into account actual and potential contracts, and considering reasonable market assumptions, based on the principle of matching of revenues and costs. Given the specific nature of the activities concerned, the residual value, if any, of the facilities in question has been ignored.

At the balance sheet date the group does not hold property, plant and equipment assets which have been pledged as security against liabilities.

At the end of the financial year, the group has identified no indications or event that would lead any item of property, plant and equipment to be considered impaired.

Note 5.2. Intangible assets

Movements in the book value of intangible assets				In thousands of €
Gross book value	Software	'Sole operator of the network' assets	'Client portfolios' assets	Total
As at 31-12-2017	**30,487**	**52,800**	**0**	**83,287**
Investments	4,116	0	0	4,116
Disposals and retirements	-10,589	0	0	-10,589
Translation adjustments	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
As at 31-12-2018	**24,014**	**52,800**	**0**	**76,814**
Investments	3,417	0	0	3,417
Disposals and retirements	-8,088	0	0	-8,088
Translation adjustments	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
As at 31-12-2019	**19,343**	**52,800**	**0**	**72,143**

Movements in the book value of intangible assets				In thousands of €
Depreciation and impairment losses	**Software**	**'Sole operator of the network' assets**	**'Client portfolios' assets**	**Total**
As at 31-12-2017	**-23,944**	**-14,097**	**0**	**-38,041**
Depreciation and impairment losses	-3,050	-6,450	0	-9,500
Disposals and retirements	10,589	0	0	10,589
Translation adjustments	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
As at 31-12-2018	**-16,405**	**-20,547**	**0**	**-36,952**
Depreciation and impairment losses	-3,392	-6,450	0	-9,842
Disposals and retirements	8,075	0	0	8,075
Translation adjustments	0	0	0	0
Changes in the consolidation scope	0	0	0	0
Other	0	0	0	0
As at 31-12-2019	**-11,722**	**-26,997**	**0**	**-38,719**

Movements in the book value of intangible assets				In thousands of €
	Software	'Sole operator of the network' assets	'Client portfolios' assets	Total
Net book values as at 31-12-2019	7,621	25,803	0	33,424
Net book values as at 31-12-2018	7,609	32,253	0	39,862

Intangible assets include the net book value of software, the portfolio of 'Hub' clients and emission rights.

The software included in intangible assets is investment software developed or purchased by the group. This software is depreciated over 5 years on a straight-line basis. Major investments during the financial year concern software developed in relation to gas flow and asset management and related administrative tools.

In 2015, Fluxys Belgium acquired all of Huberator's business activities for €52.8 million. This intangible asset will be fully depreciated in 2023.

The gas transmission facilities in Belgium are included in the scheme for greenhouse gas emission allowance trading. Accordingly, Fluxys Belgium group was given free emission rights for 2019 amounting to 48,694 tonnes of CO_2 for the compression, storage and terminalling activity sites. In accordance with the accounting policies stated in Note 2, the unused emission rights have been recognised at nil value under intangible assets.

The group emphasises that no indications existed at the balance sheet date that any item of property, plant and equipment may have been impaired.

Note 5.3. Right of use assets

See note 1.d for the impact of IFRS 16 - Leases

Right of use assets				In thousands of €
	Land & Buildings	Facilities	Cars	Total
As at 01-01-2019	**33,379**	**5,013**	**4,424**	**42,817**
Additions	0	0	1,950	1,950
Depreciation and impairment losses	-2,281	-763	-1,753	-4,797
Disposals	0	0	0	0
Other changes	0	0	0	0
As at 31-12-2019	**31,098**	**4,250**	**4,621**	**39,970**

Note 5.4. Other financial assets

Other financial assets			In thousands of €
	Notes	31-12-2019	31-12-2018
Shares at cost		24	24
Investment securities at fair value through profit or loss	5.4.1	0	0
Investment securities at amortised cost	5.4.1	23,444	9,656
Other investments at cost	5.4.1	63,990	65,990
Financial instruments at fair value through profit or loss		2,669	1,794
Other financial assets at cost		73	61
Total		**90,200**	**77,525**

5.4.1. These items include cash investments with a maturity longer than one year. They are mainly from Flux Re of which the cash is destined to cover the risk of the entity in the scope of its reinsurance business. The maturity of these investments is between 2021 and 2029.

Note 5.5. Other non-current assets

Other non-current assets				In thousands of €
	Notes	**31-12-2019**	**31-12-2018**	**Change**
Plan asset surpluses 'IAS 19 Employee benefits'	5.13	8,215	15,934	-7,719
Prepaid insurance expenses	5.5.1	849	2,537	-1,688
Total		**9,064**	**18,471**	**-9,407**

5.5.1. Fluxys LNG is insured against certain risks incurred as part of the LNG transshipment project with Credendo. This insurance is in effect until 2021. The part of this premium that has been paid and is not past due is included under this item for the part that is due in more than one year whilst the part that is due within the year is included in the item 'Other current assets' (see Note 5.9).

Note 5.6. Inventories

Book value of inventories			In thousands of €
	31-12-2019	31-12-2018	Change
Supplies	**16,925**	**16,830**	**95**
Gross book value	23,694	23,598	96
Impairment losses	-6,769	-6,768	-1
Goods held for resale	**7,957**	**12,044**	**-4,087**
Gross book value	8,505	12,044	-3,539
Impairment losses	-548	0	-548
Work in progress	**1,606**	**229**	**1,377**
Gross book value	1,606	229	1,377
Impairment losses	0	0	0
Total	**26,488**	**29,103**	**-2,615**

Inventories of materials connected to the transmission network are at their normal levels.

Impact of movements on net profit/loss			In thousands of €
	31-12-2019	31-12-2018	Change
Inventories – purchased or used	-2,066	1,648	-3,714
Impairment losses	-549	-401	-148
Total	**-2,615**	**1,247**	**-3,862**

Note 5.7. Trade and other receivables

Trade and other receivables				In thousands of €
	Note	31-12-2019	31-12-2018	Change
Gross trade receivables		87,179	95,618	-8,439
Impairment losses		-1,566	-1,567	1
Net trade receivables	5.7.1	**85,613**	**94,051**	**-8,438**
Other receivables		3,808	3,166	642
Total		**89,421**	**97,217**	**-7,796**

5.7.1 Fluxys Belgium group reduces its exposure to credit risk, both in terms of default and concentration of risk, by requiring short payment terms from its customers (payment within one month), a strict policy for the follow-up of trade receivables, and a systematic evaluation of its counterparties' financial position. The credit losses expected and accounted for in trade and other receivables are not very material for the Fluxys Belgium group.

Trade receivables can be broken down as follows according to their ageing:

Net trade receivables according to ageing			In thousands of €
	31-12-2019	31-12-2018	Change
Receivables not past due	84,490	90,456	-5,966
Receivables < 3 months	655	3,399	-2,744
Receivables 3 - 6 months	8	96	-88
Receivables > 6 months	0	0	0
Receivables in litigation or doubtful	460	100	360
Total	**85,613**	**94,051**	**-8,438**

Disputed or doubtful receivables mainly concern grid users. Those deemed irrecoverable have been subject to impairment losses of 100%.

Note 5.8. Short-term investments, cash and cash equivalents

Short-term investments are investments with a maturity of more than three months and maximum one year in bonds, commercial paper and bank deposits.

Cash and cash equivalents are mainly euro investments in commercial paper that mature within a maximum of three months after the date of acquisition, deposits made with Fluxys (cash pooling), term deposits at credit institutions, current account bank balances and cash in hand.

Short-term investments, cash and cash equivalents			In thousands of €
	31-12-2019	31-12-2018	Change
Short-term investments	**58,205**	**53,279**	**4,926**
Cash and cash equivalents	**369,005**	**389,587**	**-20,582**
Cash equivalents and cash pooling	346,585	351,940	-5,355
Short-term deposits	344	2,861	-2,517
Bank balances	22,060	34,772	-12,712
Cash in hand	16	14	2
Total	**427,210**	**442,866**	**-15,656**

In 2019, the average rate of return on short-term investments, cash and cash equivalents was 0.13% compared to 0.15% in 2018. This fall can be explained by the change in market interest rates. The credit losses expected and accounted for in investments, cash and cash equivalents are not material for the Fluxys Belgium group.

Note 5.9. Other current assets

Other current assets				In thousands of €
	Notes	31-12-2019	31-12-2018	Change
Accrued income		537	445	92
Prepaid expenses		12,921	14,840	-1,919
Other current assets	5.9.1	913	1,770	-857
Total		**14,372**	**17,055**	**-2,683**

Other current assets mainly comprise prepaid expenses amounting to €12,921 thousand (insurance, fees, rent, etc.) as well as various items of accrued income.

5.9.1 Other current assets include the short-term share of the plan asset surpluses compared with the actuarial liability relating to the group's pension liabilities (see Notes 5.5 and 5.13).

Note 5.10. Equity

On 31-12-2019, equity amounted to €662,677 thousand. The €24,479 thousand decrease since the previous year comes essentially from dividends distributed in 2019 (-€88,533 thousand), a decrease partially offset by the overall result for the period (+€64,054 thousand).

Note on parent entity shareholding	Ordinary shares	Preferential shares	Total
I. Movements in number of shares			
1. Number of shares, opening balance	70,263,501	0	70,263,501
2. Number of shares issued			
3. Number of ordinary shares cancelled or reduced (-)			
4. Number of preference shares cancelled or reduced (-)			
5. Other increase (decrease)			
6. Number of shares, closing balance	70,263,501	0	70,263,501
II. Other information			
1. Face value of shares	No face value mentioned		
2. Number of shares owned by the company	0	0	0
3. Interim dividends during the financial year			

The share capital of Fluxys Belgium SA is represented by 70,263,501 shares with no face value, divided into two categories, in addition to the specific share.

Shares in category B are and remain registered. They are held by long-term shareholders.

Category D shares are registered or dematerialised and are mainly held by the general public.

The Belgian State owns one specific registered share, namely share no. 1, which does not belong to any of the above categories and shall be referred to hereinafter as the 'specific share'. In accordance with the Fluxys Belgium articles of association, this 'specific share' carries specific rights. These specific rights remain attached to this share in addition to the common rights attached to the ordinary shares of Fluxys Belgium (former Distrigas), as long as this share is owned by the Belgian State, as established in Articles 3 to 5 of the Royal Decree of 16 June 1994. These specific rights are exercised by the Federal Minister responsible for energy. In addition to these specific rights this 'specific share' also entitles to receive 100 times the dividend or any other distribution by the entity to its shareholders, than the ones attached to the category B or D shares.

Note 5.11. Interest-bearing liabilities

Non-current interest-bearing liabilities				In thousands of €
	Notes	31-12-2019	31-12-2018	Change
Finance leases	5.11.5	35,551	0	35,551
Bonds	5.11.1	695,703	695,276	427
Other borrowings	5.11.2	523,000	543,000	-20,000
Other financing	5.11.3	82,789	95,343	-12,554
Other liabilities	5.11.4	381,929	390,212	-8,283
Total		**1,718,972**	**1,723,831**	**-4,859**
Of which debts guaranteed by the public authorities or by actual sureties		0	0	

Current interest-bearing liabilities				In thousands of €
	Notes	31-12-2019	31-12-2018	Change
Finance leases	5.11.5	2,848	0	2,848
Bonds	5.11.1	2,516	2,523	-7
Other borrowings	5.11.2	29,705	30,017	-312
Other financing	5.11.3	12,554	30,097	-17,543
Other liabilities	5.11.4	95,954	95,367	587
Total		**143,577**	**158,004**	**-14,427**
Of which debts guaranteed by the public authorities or by actual sureties		0	0	

5.11.1. In November 2014 and October 2017, Fluxys Belgium issued bonds for a total of €700,000 thousand. These bonds offer a gross annual coupon of 1.75% and 3.25% respectively. They will mature between 2027 and 2034.

5.11.2. Other borrowings include:

- A 25-year loan of €400,000 thousand at a fixed rate contracted with the EIB in December 2008 to finance investments in developing the gas transmission network, the balance of which was €286,000 million as at 31-12-2018.
- A loan of €257,000 thousand at a fixed rate of 3.20% with Fluxys SA to cover needs relating to investments necessary for the transshipment services at the Zeebrugge LNG Terminal.
- Short-term loans and accrued interest amounting to €9,705 thousand.

5.11.3 Other financing corresponds to the amount at the group's disposal firstly to finance investments, notably in the second jetty at Zeebrugge and the cost associated with the conversion of part of the gas transmission network. Part of these amounts bears interest at a 10-year rate and the remainder at the average 1-year Euribor rate.

5.11.4 Regulatory liabilities included in 'other liabilities' represent the positive difference between the invoiced regulated tariffs and the acquired regulated tariffs. The share of tariffs listed as non-current liabilities corresponds to the regulatory liabilities to be used in more than one year's time, while the share to be used within the year is listed as current liabilities. These amounts bear interest at the average Euribor 1-year rate.

5.11.5. Rent and lease charges have decreased as a result of the implementation of IFRS 16. See note 1.d.

Changes in liabilities based on financing activities								In thousands of €
	31.12.2018	Cash flow	Other movements					31.12.2019
			New rental contracts	Reclassification between non-current and current	Variation in accrued interests payable	Depreciation of issuance costs	Impact IFRS 16 transition 1.1.2019	Total
Non-current interest-bearing liabilities	**1,723,831**	**-20,837**	**1,851**	**-24,697**	**0**	**427**	**38,397**	**1,718,972**
Finance leases	0	0	1,851	-4,697			38,397	35,551
Bonds	695,276	0				427		695,703
Other borrowings	543,000	0		-20,000				523,000
Other financing	95,343	-12,554						82,789
Other liabilities	390,212	-8,283						381,929
Current interest-bearing liabilities	**158,004**	**-42,688**	**0**	**24,697**	**845**	**0**	**2,719**	**143,577**
Finance leases	0	-5,694		4,697	1,126		2,719	2,848
Bonds	2,523	0			-7			2,516
Other borrowings	30,017	-20,038		20,000	-274			29,705
Other financing	30,097	-17,543						12,554
Other liabilities	95,367	587						95,954
Total	**1,881,835**	**-63,525**	**1,851**	**0**	**845**	**427**	**41,116**	**1,862,549**

Cash flows relating to interest-bearing liabilities are included in points IV.1.6, 2.3 and 2.5 of the consolidated statement of cash flows.

The €1,126 thousand is linked to interest paid on leases included in point IV.3.1 of the consolidated statement of cash flows.

The variation in interest to be paid and the amortisation of emission expenses (excluding leases because the interest is already paid in the period itself) corresponds to the difference between interest paid (see point IV.3.1 of the consolidated statement of cash flows) and interest charges on debts included leases (Note 4.4).

Maturity of interest-bearing liabilities at 31-12-2019 non-discounted				In thousands of €
	Up to one year	Between one and five years	More than five years	Total
Finance leases	3,920	21,344	20,810	46,074
Bonds	19,355	67,216	786,639	873,210
Other borrowings	49,844	238,618	404,747	693,209
Other financing	13,135	47,702	40,374	101,211
Other liabilities	95,955	381,929	0	477,884
Total	**182,209**	**756,809**	**1,252,570**	**2,191,588**

Maturity of interest-bearing liabilities at 31-12-2018 non-discounted				In thousands of €
	Up to one year	Between one and five years	More than five years	Total
Finance leases	0	0	0	0
Bonds	19,316	67,216	803,051	889,583
Other borrowings	50,937	221,465	462,039	734,441
Other financing	30,706	36,308	64,902	131,916
Other liabilities	95,367	274,958	115,254	485,579
Total	**196,326**	**599,947**	**1,445,246**	**2,241,519**

Note 5.12. Provisions

5.12.1 Provisions for employee benefits

Provisions for employee benefits	In thousands of €
Provisions at 31-12-2018	**62,663**
Additions	8,982
Use	-5,013
Release	0
Unwinding of the discount	3,439
Actuarial gains/losses recognised in the profit/loss (seniority bonuses)	851
Expected return on plan assets	-2,608
Actuarial gains/losses recognised in equity	7,731
Reclassification to the assets	-8,576
Provisions at 31-12-2019 of which:	**67,470**
Non-current provisions	63,336
Current provisions	4,134

The provisions for employee benefits (see Note 5.13) are slightly up. This can chiefly be explained by a decrease in the discounting rates, which was only partially compensated by the return on plan assets.

The defined benefit pension plans have surplus plan assets compared with the actuarial liability on estimated liabilities of the group at 31-12-2019. The amount was therefore transferred to the assets in the balance sheet under 'Other non-current assets' (see Note 5.5) and 'Other current assets' see Note 5.9.1). The financing policy was amended in 2018 to ensure that surpluses are recovered over the duration of the pension plans.

5.12.2. Other provisions

Provisions for:			In thousands of €
	Litigation and claims	Environment and site restoration	Total other provisions
Provisions at 31-12-2018	**2,489**	**1,748**	**4,237**
Additions	26	0	**26**
Use	0	0	**0**
Release	0	0	**0**
Unwinding of the discount	0	9	**9**
Provisions at 31-12-2019 of which:	**2,515**	**1,757**	**4,272**
Non-current provisions	2,515	1,757	**4,272**
Current provisions	0	0	**0**

5.12.3 Movements in the income statement and maturity of provisions

Movements in the income statement and maturity of provisions are distributed as follows:

Impact			In thousands of €
	Additions	Use and reversals	Total
Profit (loss) from continuing operations	9,008	-5,013	3,995
Financial profit (loss)	3,448	-1,757	1,691
Total	**12,456**	**-6,770**	**5,686**

Maturity of provisions at 31-12-2019				In thousands of €
	Up to one year	Between one and five years	More than five years	Total
Litigation and claims	0	0	2,515	2,515
Environment and site restoration	0	1,539	218	1,757
Subtotal	**0**	**1,539**	**2,733**	**4,272**
Employee benefits	4,134	16,536	46,800	67,470
Total	**4,134**	**18,075**	**49,533**	**71,742**

Maturity of provisions at 31-12-2018				In thousands of €
	Up to one year	Between one and five years	More than five years	Total
Litigation and claims	0	0	2,489	2,489
Environment and site restoration	209	1,539	0	1,748
Subtotal	**209**	**1,539**	**2,489**	**4,237**
Employee benefits	3,844	15,376	43,443	62,663
Total	**4,053**	**16,915**	**45,932**	**66,900**

Discount rate

Long-term provisions are discounted systematically based on interest rates that have changed as follows, according to the time frame:

Discount rate	31-12-2019	31-12-2018
Between 1 and 5 years	-0.05%	0.31%
Between 6 and 9 years	0.28%	1.10%
Between 10 and 12 years	0.41%	1.27%
Between 13 and 19 years	0.93%	1.70%
Over 19 years	0.98%	1.72%

Provisions for litigation and claims

These provisions have been established to cover likely litigation payments arising for instance from the construction of the Zeebrugge LNG terminal (1983).

The estimation for these provisions is based on the value of claims filed or on the estimated amount of risk incurred.

Provisions for the environment and site restoration

These provisions essentially cover the costs of safety, clean-up and restoration of sites subject to closure.

These provisions are accrued in accordance with the Belgian regional environmental legislation and the Belgian Gas Act. These works require action plans and numerous studies in cooperation with the various public authorities and the institutions established for this purpose.

Note 5.13. Provisions for employee benefits

Description of the principal retirement schemes and related benefits

In Belgium collective agreements regulate the rights of entity employees in the electricity and gas industries.

Defined benefit pension plans

These agreements cover 'salary scale' personnel recruited before 1 June 2002 and management personnel recruited before 1 May 1999 allowing affiliates to benefit from a capital calculated based on a formula that takes account of their final annual salary and the number of years of service when they leave or retire. These are called ‘defined benefit pension plans’.

Obligations under these defined contribution pension plans are funded through a number of pension funds for the electricity and gas industries and through insurance companies.

Employees and employers contribute to these pension plans. The employer’s contribution is determined annually on the basis of an actuarial report. This is to ensure that the minimum legal funding requirements have been met and that the long-term funding of the benefits is assured.

Description of the main actuarial risks

The group is exposed, in connection with its defined benefit pension plans, to risks related to actuarial assumptions concerning investments, interest rates, life expectancy and salary development.

The present value of defined benefit obligations is determined using a discount rate based on high-quality bonds.

Each year, the discount rate used to calculate obligations for financing pension liabilities and minimum financing requirements is compared with the expected return on plan assets. The latter is obtained from the risk-free rate observed on the financial markets at the balance sheet date, the risk premiums for each category of assets in the portfolio and their corresponding volatility. If the expected return is lower than the discount rate, the latter is reduced.

The assumptions concerning salary increases, inflation, personnel movements and expected average retirement age are defined based on historic entity statistics. The mortality tables used as those published by the IABE (Institute of Actuaries in Belgium).

The defined benefit pension plans have surplus plan assets of €9,128 thousand compared with the actuarial liability on estimated liabilities of the group as at 31-12-2019. The amount was therefore transferred to the assets in the balance sheet under 'Other non-current assets' and 'Other current assets'. The financing policy was amended in 2018 to ensure that surpluses are recovered over the duration of the pension plans.

Defined contribution pension plans with guaranteed minimum return

In Belgium, 'Salary scale' personnel recruited after 1 June 2002 and management staff recruited after 1 May 1999 as well as the members of the management benefit from defined contribution pension plans.

The pension plans are financed by contributions from employees and employers, the latter corresponding to a multiple of the contributions from employees. Obligations under these defined contribution pension plans are funded through a number of pension funds for the electricity and gas industries and through insurance companies.

The assets of the pension funds are allocated among the various categories of the following risks:

- Low risk: bonds in the euro zone and/or high-quality bonds.
- Medium risk: risk diversification between bonds, convertible bonds, real-estate and equity instruments.
- High risk: equity instruments, real estate, etc.
- Dynamic Asset Allocation: rapid adjustment of the portfolio structure in case specific events in order to limit losses in periods of stress.

Belgian law requires that the employer guarantees a minimum return for defined contribution, which varies based on the market rates.

The minimum returns guaranteed by the employer are the following:

- For contributions paid since 01-01-2016, the minimum return is variable based on OLO rates, with a minimum of 1.75% and a maximum of 3.75%. Given the current rates, this minimum guaranteed return has been initially set at 1.75%.
- For contributions paid up until 31-12-2015, the minimum return of 3.25% for employer contributions and 3.75% for employee contributions applies up to that date. Since 01-01-2016, the minimum return is calculated as mentioned in the previous paragraph.

The accounting method used by the group to value these 'defined contribution pension plans, with a guaranteed minimum return', is identical to the method used for 'defined benefit plans' (see Note 2.13).

Description of the main risks

Defined contribution plans expose the employer to the risk of a minimum return on pension fund assets that do not offer a sufficient guaranteed return.

Other long-term employee benefits

Fluxys Belgium group also has early pension schemes, other post-employment benefits such as reimbursement of medical expenses and price subsidies, as well as other long-term benefits (seniority payments). Not all of these benefits are funded.

Financial status of the employee benefits

In thousands of €	Pensions *		Other **	
	2019	2018	2019	2018
Present value of funded obligations	-221,241	-193,234	-47,054	-43,083
Fair value of plan assets	209,953	191,358	0	0
Funded status of plans	**-11,288**	**-1,876**	**-47,054**	**-43,083**
Effect of the asset ceiling	0	0	0	0
Other	0	0	0	0
Net employee benefit liability	**-11,288**	**-1,876**	**-47,054**	**-43,083**
Of which assets	9,128	17,704	0	0
Of which liabilities	-20,416	-19,580	-47,054	-43,083

* Pensions also include non-prefinanced early-retirement obligations. They also include, since 2018, contributions paid to cover pension schemes with a profile that takes into account seniority.

** The item 'Other' includes seniority bonuses paid over the course of the career as well as other post-employment benefits (reimbursement of medical expenses and price subsidies).

Movements in the present value of obligations

In thousands of €	Pensions *		Other **	
	2019	2018	2019	2018
At the start of the period	**-193,234**	**-183,456**	**-43,083**	**-51,592**
Service costs	-7,892	-7,573	-1,090	-1,147
Early retirement costs	-884	271	0	0
Financial loss (-) / profit (+)	-2,774	-2,203	-665	-652
Participant's contributions	-720	-725	0	0
Change in demographic assumptions	485	-863	211	-74
Change in financial assumptions	-15,949	7,284	-5,340	253
Change from experience adjustments	-5,709	-4,027	1,218	293
Past service costs	0	0	0	0
Benefits paid	5,436	6,114	1,695	1,780
Reclassifications	0	-8,056	0	8,056
Other	0	0	0	0
At the end of the period	**-221,241**	**-193,234**	**-47,054**	**-43,083**

Reclassifications recognised in 2018 corresponded to commitments associated with pension schemes with a profile of contribution payments that takes account of seniority.

Movements in the fair value of plan assets

In thousands of €	Pensions *		Other **	
	2019	2018	2019	2018
At the start of the period	**191,358**	**201,052**	**0**	**0**
Interest income	2,608	2,066	0	0
Return on plan assets (excluding net interest income)	18,583	-10,566	0	0
Employer's contributions	4,202	4,759	1,695	1,780
Participants' contributions	720	725	0	0
Benefits paid	-5,437	-6,114	-1,695	-1,780
Change in financial assumptions	-2,081	-564	0	0
Other	0	0	0	0
At the end of the period	**209,953**	**191,358**	**0**	**0**
Actual return on plan assets	**21,190**	**-8,500**	**0**	**0**

The actual return from plan assets was affected by the situation in the financial markets at the end of 2019.

Costs recognised in profit or loss

In thousands of €	Pensions *		Other **	
	2019	2018	2019	2018
Cost				
Service costs	-7,892	-7,573	-1,090	-1,147
Early retirement costs	-884	271	0	0
Past service costs	0	0	0	0
Actuarial gains/(losses) on other long-term benefits	0	0	33	156
Net interest on net liabilities/(assets)				
Interest expense on obligations	-2,774	-2,203	-665	-652
Interest income on plan assets	2,608	2,066	0	0
Costs recognised in profit or loss	**-8,942**	**-7,439**	**-1,722**	**-1,643**

Actuarial losses (gains) recognised in other comprehensive income

In thousands of €	Pensions *		Other**	
	2019	2018	2019	2018
Change in demographic assumptions	485	-863	211	-74
Change in financial assumptions	-17,146	6,449	-5,373	97
Change from experience adjustments	-5,709	-4,027	1,218	293
Effect of the asset ceiling	0	14,831	0	0
Return on plan assets (excluding net interest income)	18,583	-10,566	0	0
Actuarial losses (gains) recognised in other comprehensive income	**-3,787**	**5,824**	**-3,944**	**316**

Allocation of obligation by type of participant to the plan

In thousands of €	2019	2018
Active plan participants	-218,482	-198,446
Non-active participants with deferred benefits	-17,748	-9,338
Retirees and beneficiaries	-32,065	-28,533
Total	**-268,295**	**-236,317**

Allocation of obligation by type of benefit

In thousands of €	2019	2018
Retirement and death benefits	-221,241	-193,234
Other post-employment benefits (medical expenses and tariff reductions)	-35,527	-31,565
Seniority bonuses	-11,527	-11,518
Total	**-268,295**	**-236,317**

Main actuarial assumptions used

	2019	2018
Discount rate between 10 to 12 years	0.41%	1.27%
Discount rate between 13 to 19 years	0.93%	1.70%
Discount rate over 19 years	0.98%	1.72%
Expected average salary increase	2.05%	2.05%
Expected inflation	1.75%	1.75%
Expected increase in health expenses	2.75%	2.75%
Expected increase of tariff advantages	1.75%	1.75%
Average assumed retirement age	63(BAR) / 65(CAD)	63(BAR) / 65(CAD)
Mortality tables	Prospective IABE	Prospective IABE
Life expectancy in years:		
For a person aged 65 at the balance sheet date:		
- Male	20	20
- Female	24	24
For a person aged 65 in 20 years:		
- Male	22	22
- Female	26	26

The discount rate of the plans depends on their estimated average duration.

The fair value of plan assets is distributed based on the following major categories

	2019	2018
Listed investments	**81.13%**	**79.43%**
Shares - eurozone	15.72%	15.97%
Shares - outside eurozone	21.24 %	20.61%
Government bonds - eurozone	2.95%	1.78%
Other bonds - eurozone	27.36%	27.08%
Other bonds - outside eurozone	14.04%	13.99%
Non-listed investments	**20.76%**	**20.57%**
Insurance contracts	0.00%	0.00%
Real estate	2.58%	2.75%
Cash and cash equivalents	3.86%	3.36%
Other	12.25%	14.46%
Total (in %)	**100.00%**	**100.00%**
Total (in thousands of €)	**209,953**	**191,358**

Sensitivity analysis

Impact on obligation	In thousands of €
	Increase (-) / Decrease (+)
Increase in discount rate (0.25%)	7,117
Average salary increase - Excluding inflation (0.1%)	-2,444
Increase in inflation rate (0.25%)	-5,350
Increase in healthcare benefits (0.1%)	-395
Increase in tariff benefits (0.5%)	-1,273
Increase in life expectancy of retirees (1 year)	-1,451

Average weighted duration of obligations

	2019	2018
Average weighted duration of defined benefit obligations	10	10
Average weighted duration of other obligations	18	19

Expected contribution to pay for employee benefits relating to extra-statutory pensions

	In thousands of €
Expected contribution for the next financial year	3,409

The contributions to be paid are based on changes in the payroll of the population concerned.

Note 5.14. Deferred tax assets and liabilities

Recognised deferred tax assets			In thousands of €
	31-12-2019	31-12-2018	Change
Valuation of assets	141,340	156,450	-15,110
Accrued income	683	867	-184
Fair value of financial instruments	10	114	-104
Provisions for employee benefits or provisions not accepted under IFRS	26,201	31,203	-5,002
Other normative differences	0	0	0
Total	**168,234**	**188,634**	**-20,400**

Deferred tax assets and liabilities are offset within each taxable entity. They are all fully recognised.

Deferred tax is primarily influenced by the difference between the book value and the tax base of property, plant and equipment and intangible assets. This difference arises firstly from the accounting in the opening balance sheet of property, plant and equipment at their fair value corresponding to their deemed cost and, secondly, from the accounting at fair value of the assets and liabilities arising from the SEGEO and Distrigas & C° business combinations in 2008.

Provisions made in accordance with IAS 19 (Employee benefits) and provisions recognised under local GAAP but not recognised under IFRS are another major source of deferred tax.

Movement for the period	In thousands of €
	Deferred tax
As at 31-12-2018	**188,634**
Deferred tax expenses – Profit & loss account	-18,114
Deferred tax expenses – other comprehensive income	-2,287
As at 31-12-2019	**168,234**

Note 5.15. Trade and other liabilities

Trade and other liabilities			In thousands of €
	31-12-2019	31-12-2018	Change
Trade payables	45,070	39,370	5,700
Payroll and related items	27,493	25,284	2,209
Other payables	20,105	14,691	5,414
Total	**92,668**	**79,345**	**13,323**

Note 6. Financial instruments

Principles for managing financial risks

In the course of conducting its activities, the Fluxys Belgium group is exposed to credit and counterparty risks, liquidity and interest rate risks and foreign exchange and market risks, all of which affect its assets and liabilities.

The group's administrative organisation, controlling and financial reports ensure that these risks are constantly monitored and managed.

The group may only use financial instruments for hedging, and not for speculative or trading purposes. All transactions are intended to meet the group's identified financial risks: no transaction may be entered into for the sole purpose of earning a speculative gain.

Cash management policy

The Fluxys Belgium group's cash is managed as part of a general policy that was approved by the Board of Directors.

Under this policy, cash surpluses are invested with Fluxys SA under cash pooling agreements. By way of reminder, Fluxys SA centralises the management of the Fluxys group’s cash funds and financing.

The objective of this policy is to optimise the group’s cash positions. These transactions are entered into at market terms and conditions.

The group's financial policy stipulates that cash surpluses be maintained at first class financial institutions or invested in financial instruments issued by entities with a high credit rating or in financial instruments of issuers which are covered by a guarantee from a European Member State or whose share capital is predominantly controlled by state-owned entities. Cash surpluses are invested following a competitive bidding award, and in instruments that are sufficiently diversified to limit counterparty risk concentration. These investments are subject to constant monitoring and risk analysis on a case-by-case basis.

At 31-12-2019, current and non-current investments, cash and cash equivalents amounted to €514,644 thousand compared to €518,512 thousand at the end of 2018.

Credit and counterparty risks

The group systematically assesses its counterparties' financial capacity and systematically monitors receivables. Group policy regarding counterparty risks requires that the group submits potential customers and suppliers to a detailed preliminary financial analysis (liquidity, solvency, profitability, reputation and risks). The group uses internal and external information, such as official analysis performed by rating agencies (Moody's, Standard & Poor's and Fitch). These rating agencies assess entities in relation to risk and award them a credit score (rating). The group also uses databases containing general, financial and market information to complement its own evaluation of potential customers and suppliers. In addition, for most of its activities the group is allowed to contractually require guarantees (either bank guarantees or cash deposits) from counterparties. The group thereby reduces its exposure to credit risk both in terms of default and concentration of customers.

In view of the concentration risk it must be noted that three clients contribute 28%, 14% and 12% of the operating revenue. The breakdown per segment of these latter is €156 million in transmission, €28 million in storage and €78 million in terminalling.

Foreign exchange risk

The group's transactions are mostly denominated in EUR.

Group policy requires that all foreign currency assets and liabilities be hedged. Residual foreign currency positions may remain open for short periods, provided that they involve the group's main currencies and as long as the total position does not exceed €1 million.

Therefore, a sensitivity analysis is not representative for the risk inherent in these financial instruments.

Interest rate risk

The group's debt mainly consists of fixed interest rate loans, the balance of which (including lease obligations) as at 31-12-2019 represents €1,289,323 (compared to €1,270,816 thousand in 2018) and maturing between 2020 and 2034.

In addition, the group's interest-bearing liabilities include other financing and liabilities to be used within the regulatory framework. As further explained in Note 5.11, part of these bear interest at a 10-year rate and the remainder at the average Euribor 1-year rate. The group does not incur any interest rate risks related to this.

Therefore, a sensitivity analysis is not representative for the risk inherent in these financial instruments. Consequently, the Fluxys Belgium group's exposure to interest rate risk is very limited.

Liquidity Risk

Liquidity risk management is one of Fluxys Belgium group's main objectives. The amounts invested and the investment period reflect the short- and long-term planning of cash needs as closely as possible, taking into account operational risks.

The Fluxys Belgium group can call upon Fluxys SA in case of liquidity needs, under the cash pooling arrangements. By way of reminder, Fluxys centralises the management of the Fluxys group's cash funds and financing and has lines of credit.

The maturity of interest-bearing liabilities is reported in Note 5.11.

Summary of financial instruments at balance sheet date

The group's main financial instruments consist of financial and trade receivables and payables, short-term investments, cash and cash equivalents.

The following table gives an overview of financial instruments at 31 December 2019:

Summary of financial instruments at balance sheet date				In thousands of €
31-12-2019	Category	Book value	Fair value	Level
I. Non-current assets				
Other financial assets at amortised cost	A	87,531	88,303	1 & 2
Other financial assets at fair value through profit or loss	B	2,669	2,669	2
Lease receivables	A	3,300	3,300	2
Other receivables	A	144	144	2
II. Current assets				
Lease receivables	A	601	601	2
Trade and other receivables	A	89,421	89,421	2
Cash investments	A	58,205	58,205	2
Cash and cash equivalents	A	369,005	369,005	2
Total financial instruments – assets		**610,876**	**611,648**	
I. Non-current liabilities				
Interest-bearing liabilities	A	1,718,972	1,772,669	2
Other financial assets	B	2,669	2,669	2
II. Current liabilities				
Interest-bearing liabilities	A	143,577	143,577	2
Trade and other payables	A	92,668	92,668	2
Total financial instruments - liabilities		**1,957,886**	**2,011,583**	

The categories correspond to the following financial instruments:

A. Financial assets or financial liabilities at depreciated cost.

B. Assets or liabilities at fair value through net profit or loss.

Summary of financial instruments at balance sheet date				In thousands of €
31-12-2018	**Category**	**Book value**	**Fair value**	**Level**
I. Non-current assets				
Other financial assets at amortised cost	A	75,731	75,731	1 & 2
Other financial assets at fair value through profit or loss	B	1,794	1,794	2
Other financial assets at fair value Lease receivables	A	3,902	3,902	2
Other receivables	A	144	144	2
II. Current assets				
Lease receivables	A	690	690	2
Trade and other receivables	A	97,217	97,217	2
Cash investments	A	53,279	53,279	2
Cash and cash equivalents	A	389,587	389,587	2
Total financial instruments – assets		**622,344**	**622,344**	
I. Non-current liabilities				
Interest-bearing liabilities	A	1,723,831	1,745,664	2
Other financial assets	B	1,794	1,794	2
II. Current liabilities				
Interest-bearing liabilities	A	158,004	158,004	2
Trade and other payables	A	79,345	79,345	2
Total financial instruments - liabilities		**1,962,974**	**1,984,807**	

All of the group's financial instruments fall within Levels 1 and 2 of the fair value hierarchy. Their fair value is measured on a recurring basis.

Level 1 of the fair value hierarchy includes short-term investments and cash equivalents whose fair value is based on quoted prices. They consist mainly of bonds.

Level 2 of the fair value hierarchy includes other financial assets and liabilities whose fair value is based on other inputs that are observable for the asset or liability, either directly or indirectly.

The techniques for measuring the fair value of Level 2 financial instruments are as follows:

- The items 'Interest-bearing liabilities' include the fixed-rate bonds issued by Fluxys Belgium, whose fair value is determined based on active market rates, usually provided by financial institutions.
- The fair value of other financial assets and liabilities categorised under level 2 is largely identical to their book value:
  - either because they have a short-term maturity (such as trade receivables and payables), or
  - because they bear interest at the market rate at the closing date of the financial statements.

Note 7. Contingent assets and liabilities – rights and liabilities of the group

Note 7.1. Litigation

7.1.1. Litigation regarding the oil business

Based on a contract signed on 9-11-1979, the Belgian State entrusted Fluxys Belgium SA (previously Distrigas) with negotiating with the Kingdom of Saudi Arabia on the purchase of crude oil. Fluxys Belgium SA (previously Distrigas) accepted this task on the condition that the Belgian State act as a guarantor for compensating costs, losses and risks associated therewith.

Following the decision to put an end to this oil business, legal action was commenced against the Belgian State and Fluxys Belgium SA (previously Distrigas).

The risk incurred by Fluxys Belgium SA (previously Distrigas) is covered by a guarantee from the Belgian State (Royal Decree of 03-02-1981 - Belgian Official Gazette of 17-02-1981) and by a contract signed on 9-11-1979 between the Belgian State and Fluxys Belgium SA (previously Distrigas) as well as by a letter dated 30-12-1983 from the Ministers responsible for finance and economic affairs.

7.1.2. Other litigation

Ghislenghien

As announced in 2011, Fluxys Belgium has undertaken, in agreement with insurers and other responsible parties, to proceed with the final compensation of private victims of the accident at Ghislenghien in 2004. Although most of the victims were compensated in 2012, some cases are still open. Fluxys Belgium conducts an evaluation of these cases as they evolve. No reliable estimate can be made at this stage. No provision has therefore been recognised as at 31-12-2019.

Compensation claim relating to the 'Open Rack Vaporiser' investment

A compensation claim for additional works was introduced by a supplier in the scope of the 'Open Rack Vaporiser' investment made by Fluxys LNG. The latter disputes this claim and an expert was appointed to assess the case. No reliable estimate is available at this stage. No provision has therefore been recognised as at 31-12-2019.

Other claims

Other claims arising from the operation of our facilities are in progress but their potential impact is immaterial.

Note 7.2. Assets and items held for third parties, in their name, but at the risk and for the benefit of entities included in the consolidation scope

In the ordinary course of business, the Fluxys Belgium group holds gas belonging to its customers at its storage sites in Loenhout, in the pipelines and in the tanks at the LNG terminal in Zeebrugge.

Note 7.3. Guarantees received

Bank securities for the benefit of the group comprise guarantees received from contractors in respect of construction contracts as well as bank guarantees received from customers. At 31 December 2019, the guarantees received amounted to €73,008 thousand. The credit losses expected on guarantees received are not very material for the Fluxys Belgium group.

Note 7.4. Guarantees provided by third parties on behalf of the entity

Rental guarantees in favour of the owners of assets located in Belgium and leased by the group amounted to €13 thousand as at 31-12-2019.

Other guarantees amounted to €187 thousand as at 31-12-2019.

Note 7.5. Commitments with regard to the Interconnector Zeebrugge Terminal (IZT)

The IZT lease contract includes a purchase option for the lessee that can be exercised on 1 October 2023 for an amount of €1,643 thousand.

As part of this transaction, surface rights have been attributed.

Note 7.6. Commitments under terminalling service contracts

The Capacity Subscription Agreements (CSA) entered into with the terminal users of the Zeebrugge LNG terminal provide for 829 slots to be available from 2019 to 2027. In addition, Yamal Trade (a 100% subsidiary of Yamal LNG) and Fluxys LNG signed a 20-year contract for the transshipment of a maximum of 8 million tonnes of LNG per year at the port of Zeebrugge in Belgium.

In 2019, in addition to the aforementioned contracts, a new long-term contract was entered into with Qatar Petroleum, subsidiary of Qatar Terminal Limited (QTL), for the remaining unloading slots until 2044 after the expiry of the current long-term slots in 2023.

Note 7.7. Commitments in relation to loans and to the European Investment Bank (EIB)

The Fluxys Belgium group was granted loans by the European Investment Bank (EIB). They contain contractual financial covenants which are fulfilled by the group at 31 December 2019. Like bonds, these loans also contain a pari passu clause.

Note 7.8. Other commitments

Other commitments have been made and received by the Fluxys Belgium group, but their potential impact is immaterial.

Note 8. Related parties

Fluxys Belgium and its subsidiaries are controlled by Fluxys, which is itself controlled by Publigas.

The consolidated financial statements include transactions performed by Fluxys Belgium and its subsidiaries in the normal course of their activities with unconsolidated related companies or associates. These transactions take place under market conditions and mainly involve transactions realised with Fluxys SA (admin services, IT and housing services and the management of cash funds and financing), Interconnector (UK) (inspection and repair services), IZT (IZT lease and facilities operation and maintenance services), Dunkerque LNG (IT development and other services), Gaz-Opale (terminalling services), and Balansys (balancing operator).

Related parties					In thousands of €
	31-12-2019				
	Parent company share-holders	Joint arrange-ments	Associ-ates	Other	Total
I. Assets with related parties	**346,743**	**0**	**839**	**5,908**	**353,490**
1. Other financial assets	**0**	**0**	**0**	**0**	**0**
1.1. Securities other than shares	0	0	0	0	0
1.2. Other receivables	0	0	0	0	0
2. Other non-current assets	**0**	**0**	**0**	**3,300**	**3,300**
2.1. Finance leases	0	0	0	3,300	3,300
2.2. Other non-current receivables	0	0	0	0	0
3. Trade and other receivables	**159**	**0**	**0**	**2,590**	**3,588**
3.1. Clients	159	0	839	1,989	2,987
3.2. Finance leases	0	0	0	601	601
3.3. Other receivables	0	0	0	0	0
4. Cash and cash equivalents	**346,584**	**0**	**0**	**0**	**346,584**
5. Other current assets	**0**	**0**	**0**	**18**	**18**
II. Liabilities with related parties	**263,536**	**0**	**461**	**455**	**264,284**
1. Interest-bearing liabilities (current and non-current)	**263,284**	**0**	**0**	**0**	**263,284**
1.1. Bank borrowings	0	0	0	0	0
1.2. Finance leases	0	0	0	0	0
1.3. Bank overdrafts	0	0	0	0	0
1.4. Other borrowings	263,284	0	0	0	263,284

2. Trade and other payables	**54**	**0**	**461**	**0**	**515**
2.1. Trade payables	0	0	461	0	461
2.2. Other payables	54	0	0	0	54
3. Other current liabilities	**198**	**0**	**0**	**455**	**653**
III. Transactions with related parties					
1. Services rendered and goods delivered	**3,044**	**0**	**183**	**15,098**	**18,325**
2. Services received (-)	**-2,244**	**0**	**-430**	**0**	**-2,674**
3. Net financial income	**-5,030**	**0**	**0**	**0**	**-5,030**
4. Directors' and senior executives' remuneration				**2,162**	**2,162**
of which short-term employee benefits				1,866	1,866
of which post-employment benefits				296	296

Related parties					**In thousands of €**
			31-12-2018		
	Parent company share-holders	**Joint arrange-ments**	**Associ-ates**	**Other**	**Total**
I. Assets with related parties	**353,785**	**0**	**419**	**6,180**	**360,384**
1. Other financial assets	**0**	**0**	**0**	**0**	**0**
1.1. Securities other than shares	0	0	0	0	0
1.2. Other receivables	0	0	0	0	0
2. Other non-current assets	**0**	**0**	**0**	**3,902**	**3,902**
2.1. Finance leases	0	0	0	3,902	3,902
2.2. Other non-current receivables	0	0	0	0	0

3. Trade and other receivables	**1,845**	**0**	**419**	**2,260**	**4,524**
3.1. Clients	1,845	0	419	1,570	3,834
3.2. Finance leases	0	0	0	690	690
3.3. Other receivables	0	0	0	0	0
4. Cash and cash equivalents	**351,940**	**0**	**0**	**0**	**351,940**
5. Other current assets	**0**	**0**	**0**	**18**	**18**
II. Liabilities with related parties	**263,364**	**0**	**272**	**480**	**264,116**
1. Interest-bearing liabilities (current and non-current)	**263,330**	**0**	**0**	**0**	**263,330**
1.1. Bank borrowings		0	0	0	0
1.2. Finance leases	0	0	0	0	0
1.3. Bank overdrafts	0	0	0	0	0
1.4. Other borrowings	263,330	0	0	0	263,330
2. Trade and other payables	**32**	**0**	**272**	**18**	**322**
2.1. Trade payables	0	0	272	18	290
2.2. Other payables	32	0	0	0	32
3. Other current liabilities	**2**	**0**	**0**	**462**	**464**
III. Transactions with related parties					
1. Services rendered and goods delivered	**7,265**	**0**	**180**	**6,205**	**13,650**
2. Services received (-)	**-1,281**	**0**	**-594**	**0**	**-1,875**
3. Net financial income	**-5,428**	**0**	**3**	**0**	**-5,425**
4. Directors' and senior executives' remuneration				**2,111**	**2,111**
of which short-term employee benefits				1,852	1,852
of which post-employment benefits				259	259

Note 9. Directors’ and senior executives’ remuneration

Pursuant to Article 11 of the Articles of Association, the Board of Directors of Fluxys Belgium SA comprises at least three and no more than 24 non-executive directors. Furthermore, the 'special share' grants to the Minister the right to appoint two representatives of the federal government in the Board of Directors. Currently, one representative of the federal government attends the meetings of the Board of Directors and the Strategic Committee.

The ordinary general meeting has decided to set the remuneration of the directors and government representatives to a maximum of €360,000 (value 01-01-2007), to be allocated by the Board of Directors amongst its members, and to grant an attendance fee of €250 per meeting of the Board of Directors and the committees.

Pursuant to Article 17.5 of the Articles of Association of Fluxys Belgium, the Board of Directors is authorised to pay a special remuneration to directors who carry out special duties for the entity. The Board also has the right to reimburse travel expenses and costs incurred by the members of the Board of Directors.

The Fluxys Belgium group has not granted any loans to directors; in addition, the directors have not entered into unusual or abnormal transactions with the group. No shares or share options have been granted to the directors.

For further information, the reader should refer to the Corporate Governance Declaration in the directors' report and to Note 8 'Related parties' for the breakdown of remuneration by category.

Note 10. Events after the balance sheet date

No events after the balance sheet date had a material impact on the financial statements of the group.

At the time of adoption of the 2019 annual financial report, it is difficult to estimate the financial impact of the Covid-19 pandemic on the Fluxys Belgium group in 2020 given the uncertainty and rapid development of the pandemic in Belgium and across Europe.

The impact of the Covid-19 pandemic will depend on how the pandemic will continue to develop, how long it will last, what consequences it will have on the economy and, in particular, on energy demand, and the extent to which the adverse effects of the pandemic will be mitigated by government measures to support the economy.

Fluxys Belgium is monitoring the situation closely to be able, where possible, to mitigate the adverse effects of the pandemic on Fluxys Belgium's operations and financial results.

For a qualitative estimate of the risks associated with the Covid-19 pandemic, see the chapter Risk management p. 164.

Statutory accounts of Fluxys Belgium SA according to Belgian GAAP

Given the significance of the equity as well as the revenue of the parent entity in the consolidated financial statements, the publication of the detailed version of the annual accounts and the notes to the accounts in this brochure would, in the majority of cases, be redundant given the explanations found in the consolidated accounts.

Pursuant to Article 3:17 of the Companies Code, the decision was made to present only an abridged version of the Fluxys Belgium SA statutory annual accounts.

The statutory auditor issued an unqualified audit opinion on the annual accounts of Fluxys Belgium SA.

These documents have been filed with the National Bank of Belgium. They are available on the Fluxys Belgium website (www.fluxys.com/belgium) and can also be obtained free of charge upon request at the following address:

Fluxys Belgium SA
Communication Department
Avenue des Arts 31, 1040 Brussels

Balance sheet

Assets		In thousands of €
	31-12-2019	31-12-2018
Formation expenses	**1,740**	**1,898**
Fixed assets	**1,689,835**	**1,798,675**
Intangible assets	31,791	38,462
Property, plant and equipment	1,573,087	1,675,268
Financial fixed assets	84,957	84,945
Current assets	**459,305**	**428,872**
Amounts receivable after more than one year	144	144
Stock and contracts in progress	25,766	27,675
Amounts receivable within one year	84,445	93,371
Cash investments	0	0
Cash at bank and in hand	338,248	296,546
Deferred charges and accrued income	10,702	11,136
Total	**2,150,880**	**2,229,445**

Equity and liabilities		In thousands of €
	31-12-2019	**31-12-2018**
Equity	**534,367**	**587,212**
Capital	60,272	60,272
Share premium account	38	38
Revaluation surpluses	364,257	403,835
Reserves	11,269	21,280
Accumulated profits (losses)	53,549	53,026
Capital subsidies	44,982	48,761
Provisions and deferred taxes	**19,454**	**20,936**
Provisions for liabilities and charges	3,484	3,334
Deferred tax	15,970	17,602
Amounts payable	**1,597,059**	**1,621,297**
Amounts payable after more than one year	981,567	1,001,299
Amounts payable within one year	203,446	199,113
Accrued charges and deferred income	412,046	420,885
Total	**2,150,880**	**2,229,445**

Income statement

Income statement		In thousands of €
	31-12-2019	**31-12-2018**
Operating income	508,721	545,309
Operating charges	436,231	463,096
Operating profit	**72,490**	**82,213**
Financial income	26,826	29,876
Finance costs	29,590	35,446
Net financial income	**-2,764**	**-5,570**
Earnings before taxes	**69,726**	**76,643**
Transfer from deferred taxes	**1,632**	**1,736**
Income tax expenses	**-28,924**	**-30,867**
Net profit/loss for the period	**42,434**	**47,512**
Transfer to untaxed reserves	**107**	**107**
Profit for the period available for appropriation	**42,541**	**47,619**

Profit/loss appropriation

Appropriation account		In thousands of €
	31-12-2019	31-12-2018
Profit to be appropriated	**95,567**	**90,950**
Profit for the period available for appropriation	42,541	47,619
Profit carried forward from the previous period	53,026	43,331
Transfer from equity	**49,325**	**50,608**
From reserves	49,325	50,608
Transfer to equity	**0**	**0**
To the legal reserve	0	0
To the other reserves	0	0
Result to be carried forward	**53,549**	**53,026**
Profit to be carried forward	53,549	53,026
Profit to be distributed	**91,343**	**88,532**
Dividends	91,343	88,532
If the above proposal is accepted and taking tax requirements into account, the annual dividend, net of withholding tax, could be set at:	€ 0.910	€ 0.882

In 2019, no advance on the dividend was paid. The gross unit dividend to be paid out for fiscal year 2019 is €1.3 per share (€0.91 net). It will be payable from 20 May 2020.

Capital at the end of the period

Capital at the end of the period	31-12-2019
Subscribed capital	
At the end of the previous period	60,272
At the end of the period	60,272

Capital represented by	
Registered shares	62,260,499
Dematerialised shares	8,003,002

Structure of shareholders

Declarant	Date of declaration	Type	Number of voting rights declared	%
Fluxys	13-12-2017	B/D	63,237,240	90.00

The Belgian State holds one specific share.

Income taxes

Income taxes	In thousands of €
	31-12-2019
Breakdown of heading 670/3	
Income taxes on the result of the current period	**28,834**
Taxes and withholding taxes due or paid	29,500
Excess of income tax prepayments	-666
Estimated additional taxes	0
Income taxes on previous periods	**90**
Additional taxes due or paid	90
Additional taxes (estimated or provided for)	0

Reconciliation between profit before taxes and estimated taxable profit	
Profit before taxes	**69,725**
Permanent differences:	**27,752**
Definitively taxed income	-22,915
Non-deductible expenses	5,000
Notional interest	0
Taxable reserves	43,928
Depreciation of financial fixed assets	0
Transfer from untaxed reserves	107
Transfer from deferred taxes	1,632
Total	**97,477**

Workforce

ONSS N°: 030012851238

Joint Commission N°: 326

Headcount

A. Employees recorded in the personnel register

1a. During the current period	Total	Men	Women
Average number of employees			
Full time	733.4	637.0	96.4
Part-time	122.6	60.0	62.6
Total in full-time equivalents (FTE)	825.6	682.6	143.0
Number of hours actually worked			
Full time	1,075,224	939,979	135,245
Part-time	149,460	74,675	74,785
Total	1,224,684	1,014,654	210,030
Employee expenses			
Full time	89,221,394	78,811,988	10,409,406
Part-time	13,665,805	8,518,667	5,147,138
Total	102,887,199	87,330,655	15,556,544
Advantages in addition to wages	1,779,479	1,510,422	269,057

1b. During the previous period	Total	Men	Women
Average number of employees (FTE)	831.5	686.7	144.8
Number of hours actually worked	1,228,639	1,017,514	211,125
Employee expenses	106,427,433	90,154,679	16,272,754
Advantages in addition to wages	1,540,713	1,305,138	235,575

2. At the closing of the period			
	Full time	**Part-time**	**Total FTE***
a. Employees recorded in the personnel register	**730**	**124**	**823.3**
b. By nature of the employment contract			
Contract for an indefinite period	706	124	799.3
Contract for a definite period	24	0	24.0
Contract for execution of specifically assigned work	0	0	0
Replacement contract	0	0	0
c. According to gender and study level			
Men	632	61	678.4
Primary education	*0*	*0*	*0*
Secondary education	*281*	*30*	*304.1*
Higher non-university education	*159*	*12*	*168.4*
University education	*192*	*19*	*205.9*
Women	98	63	144.9
Primary education	*0*	*0*	*0*
Secondary education	*23*	*17*	*34.6*
Higher non-university education	*36*	*33*	*61.3*
University education	*39*	*13*	*49.0*
d.By professional category			
Management	243	29	264.6
Employees	487	95	558.7
Workers	0	0	0
Other	0	0	0

*full-time equivalent

B. Hired temporary staff and personnel placed at the enterprise's disposal

During the current period	Hired temporary staff	Personnel placed at
Average number of persons employed	4.1	0
Number of hours actually worked	8,142	0
Costs for the enterprise	551,697	0

Table of movements in personnel during the period

	Full time	Part time	Total FTE*
Entries			
a. Employees recorded in the personnel register	**61**	**1**	**61.6**
b. By nature of the employment contract			
Contract for an indefinite period	48	1	48.6
Contract for a definite period	13	0	13.0
Contract for execution of specifically assigned work	0	0	0
Replacement contract	0	0	0
Exits			
a. Employees whose contract end-date has been recorded in the personnel register in this financial year	**57**	**6**	**61.4**
b. By nature of the employment contract			
Contract for an indefinite period	44	6	48.4
Contract for a definite period	13	0	13.0
Contract for execution of specifically assigned work	0	0	0
Replacement contract	0	0	0
c. By reason of termination of contract			
Retirement	15	3	17.4
Early retirement	0	0	0
Dismissal	5	0	5.0
Other reason	37	3	39.0
Of which: the number of persons who continue to render services to the company at least part-time on a self-employed basis	0	0	0.0

*full-time equivalent

Information on training provided to employees during the period

	Men	Women
Initiatives in formal continued professional development at the expense of the employer		
Number of employees involved	672	156
Number of actual training hours	22,664	3,612
Net costs for the enterprise	3,308,945	526,251
Of which gross costs directly linked to training	3,308,945	526,251
Of which fees paid and payments to collective funds	0	0
Of which subsidies and other financial advantages received (to deduct)	0	0
Total of initiatives of less formal or informal professional training at the expense of the employer		
Number of employees involved	417	102
Number of actual training hours	7,283	2,144
Net costs for the enterprise	654,314	180,192
Total of initiatives of initial professional training at the expense of the employer		
Number of employees involved	0	0
Number of actual training hours	0	0
Net costs for the enterprise	0	0

Statutory auditor's report and declaration by responsible persons

Statutory auditor's report to the General Meeting of Fluxys Belgium NV/SA for the financial year ended 31 December 2019

As required by law and the Company's articles of association, we report to you as statutory auditor of Fluxys Belgium NV (the "Company") and its subsidiaries (together the "Group"). This report includes our opinion on the consolidated balance sheet as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2019 and the disclosures (all elements together the "Consolidated Financial Statements") as well as our report on other legal and regulatory requirements. These two reports are considered one report and are inseparable.

We have been appointed as statutory auditor by the shareholders' meeting of 14 May 2019, in accordance with the proposition by the Board of Directors following recommendation of the Audit Committee and following recommendation of the workers' council. Our mandate expires at the shareholders' meeting that will deliberate on the Consolidated Financial Statements for the year ending 31 December 2021. We performed the audit of the Consolidated Financial Statements of the Group for one year.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have audited the Consolidated Financial Statements of Fluxys Belgium NV, that comprise the consolidated balance sheet as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2019, and the disclosures, which show a consolidated balance sheet total of € 2.867,6 million and of which the consolidated income statement shows a profit for the year of € 69,5 million.

In our opinion, the Consolidated Financial Statements give a true and fair view of the consolidated net equity and financial position of the Group as at 31 December 2019, and of its consolidated results and cash flows for the year then ended, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") and with applicable legal and regulatory requirements in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the Consolidated Financial Statements" section of our report.

We have complied with all ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including those with respect to independence.

We have obtained from the Board of Directors and the officials of the Company the explanations and information necessary for the performance of our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Company for the year ended 31 December 2019 have been audited by another statutory auditor who expressed an unqualified opinion on these consolidated financial statements in his audit report dated 5 April 2019

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements of the current reporting period.

These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole and in forming our opinion thereon, and consequently we do not provide a separate opinion on these matters.

Calculation of the net profit under the regulatory framework

Description

As described in chapter 'Legal and regulatory framework', a regulated tariff mechanism is applied to the transportation of gas (gas flows within Belgium and border-to-border flows), the storage of gas and for LNG terminalling activities. For these activities, the net result is determined by applying calculation methods imposed by the Belgian regulator, the Commission for Electricity and Gas Regulation (the "CREG") (together the "Tariff Mechanism").

The Tariff Mechanism is based on calculation methods that are complex and that require the use of parameters (average interest rate on governmental bonds of 10 years, the Beta of the regulated activity of the Group, return on equity, ...), and of accounting data of the regulated activities (the Regulated Asset Base, the regulated equity, capital expenditures ("CAPEX") and subsidies received). In addition, for extension investments on LNG installations performed since 2004, the Tariff Mechanism provides in a specific calculation method whereby the return is determined following an IRR formula (Internal Rate of Return) as determined by the CREG.

The Tariff Mechanism makes a distinction between manageable and non-manageable costs. Deviations from the estimated value of non-manageable costs are fully allocated to the regulatory assets or liabilities (future tariffs). The manageable costs are costs over which the Group has control, and whereby deviations are distributed between the shareholders of the Group and future tariffs.

Therefore, the calculation methods of the Group's net result are complex and require judgements from management, more particularly with respect to the use of correct accounting data and parameters as imposed by the regulator. The use of incorrect accounting data, and deviations in assumptions, can have a material impact on the Group's net result.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and implementation of key internal controls relating to the calculation of the net result, including those related to (i) the completeness and accuracy of the underlying data used in the calculation and (ii) management review controls;
- Evaluating the adequate and consistent classification of operating costs by nature (manageable and non-manageable) as described in the Tariff Mechanism;

- Performing independent recalculations of the net results for the respective regulated activities based on underlying internal documentation and externally available information, and taking into account the formulas as described in the Tariff Mechanism;
- Reading and evaluating the accounting implications of communications and decisions taken by the CREG
- Assessing the adequacy of the disclosures (chapter 7, 5.11) in the Consolidated Financial Statements.

Capitalization and useful life of property, plant and equipment

Description

Property, plant and equipment amounts to 74% of the consolidated balance sheet of the Group, with a total capital expenditure of € 91,3 million in 2019 and a net book value of € 2.129,4 million as at 31 December 2019. Property, plant and equipment form the most important basis for the Regulated Asset Base ("RAB"). Depreciations are classified as non-manageable operating cost and thus have an important impact on the tariffs. The economical useful life, as accepted by the regulator CREG, impacts the depreciations.

As a result of the importance of property, plant and equipment on the total balance sheet and on the regulated result, and given its relevance to the users of the Consolidated Financial Statements, this topic is considered a key audit matter.

How the matter was addressed in our audit

Amongst others, we have performed the following procedures:

- Assessing the design and the implementation of key internal controls, including management assessment over the appropriate authorization of the investment, the compliance of the investment with the capitalization criteria in the accounting policies, and the correct classification of expenditures either as CAPEX or as operating expenses ('OPEX').

- Performing substantive analytical procedures on CAPEX and OPEX by comparing current year figures with the budgeted figures as approved by the regulator at the level of asset classes and projects;
- Testing a selection of additions to property, plant and equipment, assessing whether the expenditure meets the criteria for capitalization under IFRS as adopted by the European Union and under the Group's accounting policies, recalculation of depreciation charges, analyzing whether the investments are allocated to the correct activity, and reconciling the net book value of property, plant and equipment to the RAB;
- Evaluation, based on communication with the regulator, whether there have been changes in the useful life of assets during the period which should be included in the accounts.
- Assessing the adequacy of the disclosures in notes 2.8 and 5.1 of the Consolidated Financial Statements

Responsibilities of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the Consolidated Financial Statements that give a true and fair view in accordance with IFRS and with applicable legal and regulatory requirements in Belgium and for such internal controls relevant to the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of Consolidated Financial Statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, and provide, if applicable, information on matters impacting going concern, The Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the Company or to cease business operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance whether the Consolidated Financial Statements are free from material misstatement, whether due to fraud or error, and to express an opinion on these Consolidated Financial Statements based on our audit. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and we maintain professional skepticism throughout the audit. We also perform the following tasks:

- identification and assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, the planning and execution of audit procedures to respond to these risks and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatements resulting from fraud is higher than when such misstatements result from errors, since fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtaining insight in the system of internal controls that are relevant for the audit and with the objective to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the selected and applied accounting policies, and evaluating the reasonability of the accounting estimates and related disclosures made by the Board of Directors as well as the underlying information given by the Board of Directors;
- conclude on the appropriateness of the Board of Directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going-concern;
- evaluating the overall presentation, structure and content of the Consolidated Financial Statements, and evaluating whether the Consolidated Financial Statements reflect a true and fair view of the underlying transactions and events.

We communicate with the Audit Committee within the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the audits of the subsidiaries. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities.

We provide the Audit Committee within the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee within the Board of Directors, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless the law or regulations prohibit this.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the Board of Directors' report on the Consolidated Financial Statements, the non-financial information attached to the Board of Directors' report, and other information included in the annual report.

Responsibilities of the auditor

In the context of our mandate and in accordance with the additional standard to the ISAs applicable in Belgium, it is our responsibility to verify, in all material respects, the Board of Directors' report on the Consolidated Financial Statements, the non-financial information attached to the Board of Directors' report, and other information included in the annual report, as well as to report on these matters.

Aspects relating to Board of Directors' report and other information included in the annual report

In our opinion, after carrying out specific procedures on the Board of Directors' report, the Board of Directors' report is consistent with the Consolidated Financial Statements and has been prepared in accordance with article 3:32 of the Code of companies and associations (former article 119 of the Belgian Company code).

In the context of our audit of the Consolidated Financial Statements, we are also responsible to consider whether, based on the information that we became aware of during the performance of our audit, the Board of Directors' report and other information included in the annual report, being:

- Key figures 2019 (page 2)
- Chapter 'Legal and regulatory framework (page 167)
- Key financial data 2019 (pg 116-117)

contain any material inconsistencies or contains information that is inaccurate or otherwise misleading. In light of the work performed, there are no material inconsistencies to be reported. In addition, we do not provide any assurance regarding the Board of Directors' report and other information included in the annual report.

The non–financial information required by article 3:32, § 2, of the Code of companies and associations has been included in the Board of Directors' report on the Consolidated Financial Statements. The Company has prepared this non-financial information based on Global Reporting Initiative Standards ("GRI"). However, we do not comment on whether this non-financial information has been prepared, in all material respects, in accordance with Global Reporting Initiative Standards ("GRI"). We do not express any form of assurance regarding the individual elements included in this non-financial information.

Independence matters

Our audit firm and our network have not performed any services that are not compatible with the audit of the Consolidated Financial Statements and have remained independent of the Company during the course of our mandate.

The fees related to additional services which are compatible with the audit of the Consolidated Financial Statements as referred to in article 3:65 of the Code of companies and associations were duly itemized and valued in the notes to the Consolidated Financial Statements.

Other communications

- This report is consistent with our supplementary declaration to the Audit Committee as specified in article 11 of the regulation (EU) nr. 537/2014.

Brussels, 2 April 2020

EY Bedrijfsrevisoren BV

Statutory auditor

Represented by

Marnix Van Dooren * Partner	Wim Van Gasse* Partner

*Acting on behalf of a BV/SRL

Declaration by responsible persons

Declaration regarding the financial year ended 31 December 2019

We hereby attest that to our knowledge:

- Fluxys Belgium's financial statements, drawn up in accordance with the applicable accounting standards, give a true and fair view of the company's assets, liabilities, financial position and profit or loss as well as those of the companies included in the consolidation scope;
- the annual report gives a true and fair view of the development and performance of the business and of the position of the company itself and of the companies included in the consolidation scope, together with a description of the principal risks and uncertainties that they face.

Brussels, 25 March 2020

Christian Leclercq
Member of the Executive Board
Chief Financial Officer

Pascal De Buck
Chairman of the Executive Board
Chief Executive Officer

Glossary

Pertinence of published financial ratios (see ‘Financial strength, page 113)

The Fluxys group continually evaluates its financial solidity, in particular using the following financial ratios:

- **Solvency:** The ratio between net financial debt and the sum of equity and net financial debt indicates the solidity of the Fluxys group’s financial structure.
- **Interest coverage:** The ratio between the FFO, before interest expenses, and interest expenses represents the group’s capacity to cover its interest expenses thanks to its operating activities.
- **Net financial debt/extended RAB:** This ratio expresses the share of the extended RAB financed by external debt.
- **FFO/Net financial debt:** This ratio is to determine the group’s capacity to pay off its debts based on cash generated by its operating activities.
- **RCF/Net financial debt:** This ratio is to determine the group’s capacity to pay off its debts based on cash generated by its operating activities after payment of dividends.

Definition of indicators

Other tangible investments outside RAB

Average combined investments in property, plant and equipment related to the extensions of the Zeebrugge LNG terminal and non-regulated activities.

Net financial expenses

Interest expenses net of finance income on leases, interest income on investments and cash equivalents and other interest income, excluding interest on regulatory assets.

Interest expenses

Borrowing interest costs net of interest on regulatory liabilities.

EBIT

Earnings Before Interests and Taxes or profit/loss from continuing operations, to which earnings from associates and joint ventures and dividends received from unconsolidated entities are added.

EBITDA

Earnings Before Interests, Taxes, Depreciation and Amortization or profit/loss from continuing operations, before depreciation, amortization, impairment and provisions, to which earnings from associates and joint ventures and dividends received from unconsolidated entities are added.

Net financial debt

Interest-bearing liabilities and granted guarantees net of regulatory liabilities, non-current debt-related loans, cash from early refinancing operations and 75% of the balance of cash, cash equivalents and non-current and current cash investments.

FFO

Funds from Operations or profit/loss from continuing operations, excluding changes in regulatory assets and liabilities, before depreciation, amortization, impairment and provisions, to which dividends received from associates and joint ventures and unconsolidated entities are added, and from which net financial expenses and current tax are deducted.

RAB

Average Regulated Asset Base or average value of the regulated asset base for the year.

Extended RAB

Total RAB and other tangible investments outside RAB.

RCF

Retained Cash-Flow or FFO net of dividends paid.

WACC

Weighted Average Cost of Capital.

Consolidated income statement Fluxys Belgium in thousands of €	31.12.2019	31.12.2019 without IFRS 16	31.12.2018	Notes
Profit/loss from continuing operations	134,841	134,841	120,601	4
Net depreciation	157,955	153,158	155,565	4.2.5
Net provisions	3,995	3,995	1,816	4.2.6
Impairment losses	546	546	400	4.2
Earnings from associates and joint ventures	0	0	0	4
Dividends from unconsolidated entities	0	0	0	4.3
Interests on Lease agreements	0	-1,126		4.4
EBITDA in thousands of €	**297,337**	**291,414**	**278,382**	

Consolidated income statement Fluxys Belgium in thousands of €	31.12.2019	31.12.2019 without IFRS 16	31.12.2018	Notes
Profit/loss from continuing operations	134,841	134,841	120,601	4
Earnings from associates and joint ventures	0	0	0	4
Dividends from unconsolidated entities	0	0	0	4.3
Interests on Lease agreements	0	-1,126		4.4
EBIT in thousands of €	**134,841**	**133,715**	**120,601**	

Fluxys Belgium consolidated balance sheet in thousands of €	31.12.2019	31.12.2019 without IFRS 16	31.12.2018	Notes
Investments in tangible fixed assets during the year	91,282	91,282	78,139	5.1
Total of Tangible fixed assets	2,129,400	2,129,400	2,181,771	5.1
Equity	662,677	662,677	687,156	
Net financial debt	903,339	864,940	881,932	
Total consolidated balance sheet	2,867,575	N/A	2,914,902	

Fluxys Belgium consolidated balance sheet in thousands of €	31.12.2019	31.12.2019 without IFRS 16	31.12.2018	Notes
Non-current interest-bearing liabilities	1,718,972	1,683,421	1,723,831	5.11/6
Current interest-bearing liabilities	143,577	140,729	158,004	5.11/6
Other financing (current)	-12,554	-12,554	-30,097	5.11.3/6
Other financing (non-current)	-82,789	-82,789	-95,343	5.11.3/6
Other liabilities (current)	-95,954	-95,954	-95,367	5.11.4/6
Other liabilities (non-current)	-381,929	-381,929	-390,212	5.11.4/6
Cash investments (100%)	0	0	0	5.8/6
Cash investments (75%)	-43,654	-43,654	-39,959	5.8/6
Cash and cash equivalents (75%)	-276,754	-276,754	-292,190	5.8/6
Other financial assets (75%)	-65,576	-65,576	-56,735	5.3.1/6
Net financial debt in thousands of €	**903,339**	**864,940**	**881,932**	

Consolidated income statement Fluxys Belgium in thousands of €	31.12.2019	31.12.2019 without IFRS 16	31.12.2018	Notes
Financial income from lease contracts	69	69	169	4.3.1
Interest income on investments, cash and cash equivalents at fair value through profit and loss	391	391	995	4.3.2
Other interest income	445	445	72	4.3.2
Borrowing interest costs	-34,589	-34,589	-41,587	4.4.1
Interest expenses on Leasings	-1,126	0	0	4.4
Interest on regulatory assets and liabilities	149	149	674	
Net financial expenses in thousands of €	**-34,661**	**-33,535**	**-39,677**	

Consolidated income statement Fluxys Belgium in thousands of €	31.12.2019	31.12.2019 without IFRS 16	31.12.2018	Notes
Borrowing interest costs	-34,589	-34,589	-41,587	4.4.1
Interest on regulatory liabilities	149	149	674	4.4
Interest expenses on leasings	-1,126	0	0	
Interest expenses in thousands of €	**-35,566**	**-34,440**	**-40,913**	

Consolidated income statement Fluxys Belgium in thousands of €	31.12.2019	31.12.2019 without IFRS 16	31.12.2018	Notes
Profit/loss from continuing operations	134,841	133,715	120,601	4
Operating revenue - Movements in regulatory assets and liabilities	-17,324	-17,324	52,251	
Net depreciation	157,955	153,158	155,565	4.2.5
Net provisions	3,995	3,995	1,816	4.2.6
Impairment losses	546	546	400	4.2
Inflows related to associates and joint ventures	0	0	0	4
Dividends from unconsolidated entities	0	0	0	4.3
Net financial expenses	-34,661	-33,535	-39,677	
Current tax	-46,772	-46,772	-41,706	4.5.1
FFO in thousands of €	**198,580**	**193,783**	**249,250**	

Consolidated income statement Fluxys Belgium in thousands of €	31.12.2018	31.12.2019 without IFRS 16	31.12.2018	Notes
FFO	198,580	193,783	249,250	
Dividends paid	-88,533	-88,535	-86,424	
RCF in thousands of €	**110,047**	**105,248**	**162,826**	

Welfare contribution in thousands of €	31.12.2019	Notes
Dividends paid	88,533	D. Reconciliation of the consolidated equity
Financial income	-1,016	4.3
Financial expenses	36,504	4.4
Goods & consumables	7,898	4.2.1
Services & Miscellaneous goods	129,583	4.2.2
Employee benefits	107,509	4.2.3
Taxes and duties paid	48,227	4.5.1
Lease agreements	5,923	4.2.3 & 4.4
Welfare contribution in thousands of €	**423,160**	

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GRI 404: Training and Education 2016
GRI 405: Diversity and Equal Opportunity 2016
GRI 412: Human Rights Assessment 2016
GRI 413: Local Communities 2016
GRI 415: Public Policy 2016

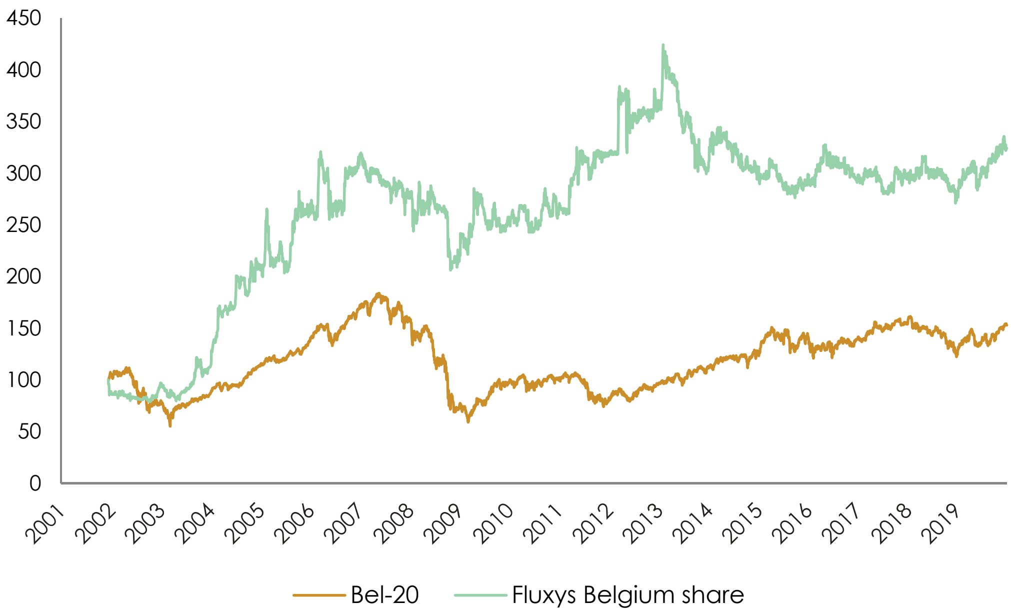
Shareholder's guide

Shareholder calendar

12.05.2020	General Meeting
20.05.2020	Payment of dividend
23.09.2020	Press release from the Board of Directors on the half-yearly results in accordance with IFRS

Payment of dividend

The gross dividend per share amounts to €1.30 for the 2019 financial year (€0.910 net), compared to €1.26 gross (€0.882 net) for the previous financial year. The recurring dividend is primarily determined on the basis of equity invested, the financial structure, and interest rates (OLO).



Evolution of Fluxys Belgium share price - BEL 20
(Share price 13-12-2001 = base 100%)

Questions about accounting data

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Fluxys Belgium SA • Avenue des Arts 31 • 1040 Brussels
+32 2 282 72 11 • www.fluxys.com/belgium
VAT BE 0402.954.628 • RPM Brussels •D/2020/9484/15

Responsible publisher • Rudy Van Beurden • Avenue des Arts 31 • 1040 Brussels

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